Over 6,000 of them had been

waiting for more than a three

weeks in Hungarian camps

provided by the International Red Cross. The Hungarian authorities had refused to

return them to East Berlin, waiting for East Berlin and

Bonn to reach agreement on an emigration policy.

Mr Gyula Horn, the Hungarian Foreign Minister, yesterday reiterated that his country had

been acutely aware of its obligations to a socialist ally: the

authorities in Budapest had given East German officials

one week to conduct a cam-

paign among East Germans in Hungary to persuade them to return home. "But instead,

more East Germans had con-tinued to arrive," he said. More remarkable is that they

have been given safe passage to leave by Hungary, a Warsaw Pact member. Hungary's decision to let the East Germans travel to the west means that the Budapest government has suspended temporarily a twenty-year-old bi-lateral agreement with East Germany. commit-

with East Germany, commit-

ting both countries to return citizens who try to cross to the

West without valid documents.

Hungary opens more than its borders; Bonn coalition closes

Continued on Page 20

ranks, Page 2

Young East Germans, some

No.30,944 **Ф**

Tuesday September 12 1989

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World News Norwegian election heads for

stalemate

Norway appeared to be. heading towards political stale-mate according to early projec-tions on the general election result. These suggested both the country's largest parties — Labour and the Conservatiyes have suffered heavy losses with big gains for the right-wing Progress Party and far left Socialists. Page 20

Kohl re-elected

West German Chancellor Helmut Kohl was re-elected-chair-man of his Christian Democratic party but with a record number of votes against him. Closing ranks, Page 2

Soviet miners union Leaders of the July miners' strike in the Soviet Union met in Moscow to form a National Union of Strike Committees - the most serious move yet towards development of an independent union movement.

Yeltsin in US

Boris Yeltsin, the Soviet politician visiting the US, said President Mikhail Gorbachev had six months to a year to show progress in the Soviet Union.

Danube toll rises

The death toll in the Danube disaster rose to more than 150 following the collision between a Romanian passenger ship and Bulgarian tugboat.

Arafat in Egypt

Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Cairo for talks with President Hosni Muharak on PLO-Israeli differences.

Tamil killings

Nine members of a form Tamil rebel group, the Kelam People's Liberation Front, were killed in an ambush by a rival rebel group in Sri Lan

Namibian charges A West German and two South Africans appeared in a Namibian court on charges connected with a grenade attack on a UN base in which a security guard was killed. Picture,

Japanese detention Japan announced all Indochinese boat people classified as economic refugees will be detained, and deportations of Chinese refugees are likely.

New Guinea killing

The assassination of a politician on Papua New Guinea's Bougainville Island has high-lighted security problems and undermined hopes for an early reopening of the Bougainville Copper mine. Page 4

Chancellor dies

Sir Christopher Chancellor, journalist and businessm died aged 85. He played a key role in the development of Reu-ters news agency. Page 10-

SLD back charter The proposed European social charter to protect workers

2.3

rights received overwhelming backing at the UK Liberal and Social Democrats' conference at Brighton, southern England.

Vintage Champagne The vineyards of Champagne have started to harvest what promises to be one of the region's finest crops of grapes.

MARKETS

Aladrid SE Index

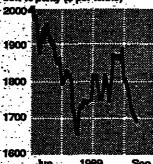
close 134.%. (13<u>钱</u>)

BNL inquiry lists groups involved in iraqi trade

Investigators in Rome have identified a total of more than 20 separate British, US and tralian companies they believe were involved in trade with Iraq in militarily useful equipment and technology financed by the issue of more than 00m of export credits from the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL). Page 20

ALUMINIUM-International Primary Aluminium Institute figures showed a rise of 107,000 tonnes in unwrought alumin-

99.7% purity (\$ per tonne)



1989 Jun :

ium stocks in the non-Communist world to 3.305m tonnes for July -- the highest level since May 1967. Page 38

LIN Broadcasting, US cellular telephone and TV company, announced merger agreement with BellSouth, US telephone operator. Page 21 DAIMLER-BENZ, West Ger-

man motor and aerospace group, accepted Government conditions for its takeover of Messerschmitt-Bölkow-Blohm, the aerospace company. Page 21, Results, Page 23

MEGGHT. UK specialist engineering group, made a \$175m bid for United Scientific Hold-ings, recent loss maker in the arms manufacturing sector.

THE CITY London's financial centre, set up a voluntary quening system for new issues of shares and other sterling

DREXEL Burnham Lambert US investment house, pleaded guilty to six felony counts of fraud. Page 6

TOSHIBA, Japanese electrical group at the centre of an trade row with the US two years ago, is delaying exports of its new personal computer. Page 20

LLOYDS Bank, UK clearer, lost an industrial tribunal case which decided female clerical workers are entitled to equal pay with higher paid male mes

zers. Page 9 ALACATEL French telecommunications group, has had contract with Soviet Union delayed by Western restric-tions on technology transfer.

US COMMERCE Secretary Rob-ert Moshacher praised South Korea's performance in opening its markets and said the two countries shared similar

views. Page 20 **WORLD Bank will make avail**able \$1.3hn in loans to develop-ing countries, specifically to help them combat pollution.

PETROLEOS Mexicanos (Pemez), Mexican state oil company, has sold \$237m worth of promissory notes to ease the strain of Government fiscal demands. Page 22

HONG KONG'S Securities and Futures Commission, the colony's financial markets watch-dog, abolished all but one of a series of controls imposed on capital market funds after

the 1987 crash. Page 26 US plans new proposals governing rules of origin to the General Agreement on Tariffs and Trade (Gatt) trade liberalisation negotiations in Geneva. Page 7

STOCK INDICES

New York closing

2,704,41 (-5.13)

347.65 (348.76)

2,400.6 (-23.3)

S&P Comp

London:...

World:

FT-SE 100

Dow Jones Ind. Av.

Business Summary | E Berlin says refugees' release 'grave provocation' Exodus biggest since Wall built Germanys at loggerheads

By David Marsh in Bonn and Judy Dempsey in Hegyeshalom, on the Austro-Hungarian border

A BITTER dispute broke out list night between the govern-ments of East and West Ger-many as more than 5,000 East German refugees streamed into Bavaria in one of the most dramatic days in East-West German relations since the two states were formed in 1949.

The biggest exodus from East Germany since that before the Berlin Wall was built in 1961 was hailed by a jubilant West German Government as demonstrating the underlying unity of the Ger-man nation.

man nation.

However, East Germany, deeply unsettled by Sunday's decision by Hungary to allow East German emigres' in temporary camps in Budapest to leave freely for the West, called the action a "urany promote." the action a "grave provoca-

The political uncertainty in the East German capital was yesterday further heightened by reports that Mr Erich Honecker, the 77-year-old East German leader, is still seriously ill after an operation. East Berlin is refusing to make statement on his condition. On the refugees, the official East German news agency last night claimed that the Federal Republic had "bought out" the refugees from Hungary and it criticised Budapest's role in what it called an "unprecedented event in international relations."

However, hopes of economic support from West Germany to back its reform process was



Jubilant East Germans display their new West German passports as they cross the border into West Germany near Passau yesterday

clearly a factor in its decision to open the flood-gates for the fugitives from Communism, and thus incur the wrath of Bast Germany.

Welcoming leaflets from the Bonn Interior Ministry were distributed to the emigres as they headed for five special relief camps set up in southern Bavarian towns. Hundreds of Red Cross work-

ers prepared to cope with the influx as speculation mounted that tens of thousands of East Germans holidaying in Hungary would join the flood.

If the cross-border treck swells further in coming days, the exodus could match the flood of 47,000 East Germans from East Berlin in August 1961 which sparked off the

building of the Wall.
Yesterday, the trek went on unabated along the Austro-Hungarian border, in Hegyeshalom a steady cavalcade of two-stroke engined Trabants rattled across to the West, followed by a procession of buses provided by the Austrian

authorities. Others crossed on foot, some on bicycle.
"We are free," many shouted
as Hungarian border guards waved them through.

At Nickelsdorf, on the Austrian side, some rushed to buy

champagne. The popping of corks summoned an outburst of emotion. East German men and women embraced in celebration of an historic moment. And these remarkable scenes are likely to continue for the

next twenty-four hours when it is estimated that up to 20,000 of

introduce cheaper version of XJ6 in US the 60,000 East Germans remaining in Hungary could take advantage of the open border and leave to set up a new life in the West.

Jaguar to

By Kevin Done, Motor Industry Correspondent, in Frankfurt

JAGUAR, the British maker of luxury cars, is to introduce a cheaper version of its XJ6 saloon in the US as part of a package to expand its range and cut prices to bolster flagging sales and counter Japa-

nese competition.
The group will tomorrow disclose its first half results, which are expected to show pre-tax profits sharply down to around £6m-£8m (\$9.4m-\$12.5m) from £22.5m in the first half of 1988 under the impact of the weaker US dollar and lower US sales.

Its latest move in the all-im-portant US market is an attempt to narrow the gap between its prices and those charged for the domestic topof-range Cadillac (General Motors) and Lincoln (Ford) luxury cars.

The company is also seeking to head off the new Japanese challenge in the world luxury car market, as Toyota and Nissan, the leading Japanese car makers, launch their muchheralded Lexus and Infiniti

ranges in the US this autumn.
Jaguar's US marketing initiative coincides with the introduction of a more powerful 4.0 litre version of its AJ6 engine in its XJ6 saloon range to replace the present 3.6 litre engine. The new power unit is to be unveiled tomorrow at the

Frankfurt motor show.

In the 1989 model year, which has just ended, Jaguar has offered two versions of its XJ6 saloon in the US priced at \$44,000 and \$48,000. For the 1990 model year it is

launching this month a lowerspecification version of the XJ6 at \$39,700. The previous \$44,000 XJ6 is to be trimmed to \$43,000, the \$48,000 version will continue, and a low-volume, special trim version will be launched at \$53,000. Its most expensive model in the US remains the XJS convertible at \$57,000.

Toyota has priced its top-ofthe-range 4.0 litre V8 Lexus LS400 at \$35,000-\$43,300, while Nissan has set the base price for its 4.5 litre V8 Infiniti Q45

Jaguar's US sales have been weaker than expected this year in the declining US car market, although it has performed better than several of its European rivals. It had Continued on Page 20 Land Rover's hopes for new Discovery, Page 24

Ferranti shares suspended as group reviews profits By Terry Dodsworth and Hugo Dixon in London

THE FUTURE of the UK defence electronics industry was plunged into doubt yester-day when Ferranti International, the second largest com-pany in the sector, asked for a suspension in the London stock market quotation of its shares and said it was review-

The Ferranti amouncement surprised the stock market, which has already had to absorb a series of unexpected shocks from the company in the last year. It calls into ques-tion whether Ferranti, which has been the subject of intense takeover speculation, will be able to maintain its independence and whether the present management can remain in

The statement will also have come as an unpleasant sur-prise to the Ministry of Defence, which had been looking to Ferranti as a strong rival in competition with the large new group formed by the takeover of Plessey by the Gen-eral Electric Company, Ferranti's shares were

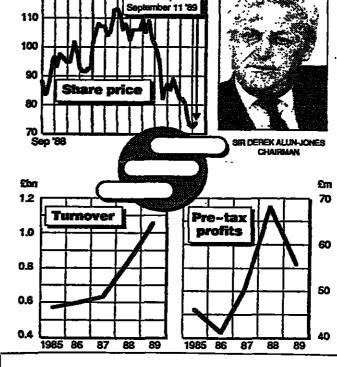
suspended for an indefinite period at 73%p, against a high this year of 113%p. The company indicated that it was likely to face a substantial loss on overseas contracts being managed by its ISC Technologies subsidiary. Ferranti refused to give

details of the contracts, beyond saying they were of a "material size." In a brief statement it said it was reviewing the "car-

rying value" of these con-tracts - implying that the company may have not have been paid for deliveries on which it has already taken

The company has now gation of the troubled conask shareholders at today's annual meeting to adjourn until the extent of the problems are clear.

ISC Technologies is part of International Signal and Con-trol, a secretive US-based defence group taken over by Ferranti almost two years ago. The bulk of ISC's business has traditionally been in supplying Continued on Page 20 Lex. Page 20



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Ciba-Geigy, Rhône-Poulenc in Canadian takeover battle

By Peter Marsh in London and John Wicks in Zurich CIBA-GEIGY, the Swiss Connaught in a share swap.

hemicals and drugs company, yesterday moved to take con-trol via a US joint venture of Connaught BioSciences, a lead-ing Canadian vaccines maker, in a move which could lead to a new shake-up in the world

pharmaceutical industry.

The Swiss company, the world's fifth higgest medicines group, has offered C\$764m (\$652m) to buy Toronto-based Connaught, which is among the top three North American

vaccines producers.

The deal would be effected through JV Vax, a US joint venture between the Swiss company and Chiron, a small Californian biotechnology group with which Ciba-Geigy has a number of collaborative research programmes research programmes. However, Connaught is already the target of a rival proposal from Institut Mérieux, a vaccines maker controlled by Rhône-Poulenc, the French state-owned chemicals and

Connaught shareholders are due to vote on this deal on September 28, and Ciba-Geigy said its offer would be condi-tional on them rejecting the French bid. A takeover of Connaught

would continue the recent series of drug-industry mergers involving some of the biggest companies in the business. In the past few months, the UK's Beecham has joined

forces with SmithKline Beck-man of the US while Squibb and Bristol-Myers, both of the US, have linked. A further merger has been between two other US companies, Merrell Dow and Marion. The Swiss/American offer

values Connaught at C\$30 a share, several dollars higher than the value of the shares in recent weeks on the Toronto stock market. On Friday the shares closed at just over C\$25 but yesterday in early trading quickly moved up to around C330. Under the terms of the prothe Connaught acquisition, but over several years Chiron would be able to provide share capital in the new venture. Yesterday Connaught said it could not comment on the

posed deal, Ciha-Geigy would

provide most of the cash for

Ciba-Geigy proposal as it had not received all the details. Last year, the Canadian com-pany had sales of C\$224m, of which just over half was accounted for by vaccines. The company also sells other medical products and services.

Ciba-Geigy said a merger
involving its US joint venture

and Connaught would create "a beautiful marriage". It said the Canadian company, which specialises in vaccines for influenza, diptheria and whooping cough, would provide development and marketing skills which would complement the receased ideas of ment the research ideas of Ciba-Geigy and Chiron. Ciba-Geigy and Chiron are

working on a number of new

vaccines using new techniques in genetic engineering.

Algerian President

Hungary: End of an era as the country opens more than just its borders ... Migeria: Rush for invitations to the political 'party' ____ Managements. Professionals should not practise at running a business Editorial comment: The UK in a cul de sac:

The flight to freedom Lext Ferranti; BATs; New issues; Meggitt/USH; Cellular telephones Survey: Retailing Technology: Influenza: no assurances from a

shot in the arm

Algeria's reform-threatened FLN returns to the subversive



Chadli Bendjedid's recent dismissal of Prime Minister Kasdi Merbah comes as high inflation and foodstuff shortages appear to be engineered by the ruling Front de Libéra-tion National party

Agriculture World Guide ... Currencies .

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DOLLAR

Cornex Dec \$364.8 (365.0)

drugs group. Institut Mérieux has proposed merging with CONTENTS



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EUROPEAN NEWS

Hungary opens more than just its borders

Judy Dempsey examines the foreign policy meaning of clearing the way to the West

UNGARY'S decision to allow thousands of East Germans to pass to the West through unguarded borders with Austria marks the end of an era with its East bloc neighbours and the begin-

ring of one with the West.
The decision was not taken lightly. As Mr Gyula Horn, the recently appointed Hungarian Foreign Minister, said on Sunday: "There exists between the two countries (Hungary and East Germany), such a manyfaceted, such a many-layered, co-operation, in which a very serious role is played by interests much greater than this affair. And I am certain that it is these interests which will be the determinants in the com-

ing period."

This was interpreted to mean that not only had East-West relations improved markedly over the past two years, but that it was time that relations between the countries of Eastern Europe adapted to these changes.

allowing at least 6,200 East Germans to leave the country - the figure could reach 60,000 - the Hungarian authorities have taken a huge risk. Many East Germans remaining in East Germany will try to take advantage of the "temporary suspension" of a bilateral agreement signed in 1969 between Budapest and East Berlin. This gave Hun-



A young East German at a Hungarian camp yesterday holds up his passport to the West

and East Germany the right to return to their home-land those citizens who tried to use either country as a means to escape to the West.

it is not only East Germans who will try to cross over the next few days. Hungarian officials said they expected Roma-nians, Soviet citizens, Bulgarians and Czechoslovaks to do the same. Officials in Budapest worry continually that Hungary could become what they termed "a transit country" for East Europeans.

This is something the Hun-

garian authorities were pain fully aware of earlier this year when, in a remarkable move, they became the first East European country to sign the United Nations Convention on Refugees. This was partly in response to the thousands of Romanian citizens, many ethnic Hungarian, who were seek-ing refuge in Hungary. The effect of the signing of

the convention was to tempt East Germans to seek refugee status in another socialist

The signing of the conven-

re-open party-to-party relations with China, broken since the early 1960s. Then earlier this year, Hungary opened up a rep-resentative office in South Korea, in spite of loud protestations by North Korea. The Soviet Union could have

reined in Hungary if it had wished to. But with the green light from Moscow — which was anxious to see what kind of response Hungary's endea-vours received both from East and West — the anthorities in

Budapest pressed ahead.
The result is that along with Poland, Hungary is becoming increasingly isolated among its socialist neighbours. It is a position which Hungarian for-eign ministry officials do not boast about.

"One day, all of our allies will be changing. The East-West climate demands it. The conventional arms talks in Vienna seem to dictate this too. We cannot ignore these changes," a senior foreign pol-icy expert said recently in an

The gap between Budapest and the West is narrowing. "And is it not time that the West now responded to what is happening in some countries in Eastern Europe?" Hungarian officials ask, not without a feeling of exasperation that the West had little idea how to respond to the changes taking place across the Danube.

Honecker 'has handed over party leadership'

THERE were rumours in East Berlin yesterday that Mr Erich Honecker, the alling, 77-year-old East German leader, had decided to hand over the Party leadership to Mr Gunter Mittag, the ruling Politburo's eco-nomic chief. Mr Mittag, who is 63, is himself in poor health.

Mr. Honecker is recuperating after a gall bladder operation last month and daily messages signed by him continue to appear in the Party newspaper Neues Deutschland. Sharp criticism of the Party's orthodox rule was voiced by the leadership of the Federation of Evan-gelical (Protestant) Churches East Germany under Bishop Werner Leich.

In a letter to Mr Honecker, the Churchmen said they were "troubled" by the number of East Germans seeking to leave the country. An essential cause was the refusal to allow "long overdue changes" in society.
They called for an "open and
realistic" discussion about the
reasons for discontent in the

population. The mass media should report realistically and not in contradiction to what citizens experienced and saw "day by day." Citizens should be allowed to travel abroad even if they did not have relatives there. Former East Germans

who emigrated were to be allowed to officially return. The Church also called on citizens not to leave the councitizens not to leave the country: "Each person who goes, leaves behind others more lonely." Previous Church calls for reforms were left unanswered by the leadership which cancelled recent scheduled talks with Church leaders. But Mr Hermann Axen, a recent of the Polithure, said

But Mr Hermann Axen, a member of the Politium, said in a speech published in Neues Deutschland yesterday that East Germany more than ever was a "bulwark of socialism and reace in the heart of was a "bulwark of socialism and peace in the heart of Europe." Every citizen was needed and had the chance to develop as he wished. "The citizens of the GDR find their national identity in their socialist Fatherland, in the socialist fatherland, in the GDR," he said. Mr Wolfgang Vogel, the East German lawyer responsible for humanitarian negotiations with the tarian negotiations with the West, was scheduled to go to Prague today for a meeting with the nearly 400 East Ger-mans who have been inside the

West German Embassy there for weeks. He will seek to convince them to return home in much the same way that he was able to get 117 East Ger-mans to leave the West German diplomatic mission in

East Berlin last Friday.

They were given a pledge of legal assistance for their applications to leave East Germany. cations to leave East Germany.
Meanwhile a stream of East
Germans made their way into
Czechoslovakia by road and
rail yesterday, seeking to illogally cross the Czechoslovak
frontier into Hungary, which
threw open its borders to the
West for East German citizens.
East Germans do not need
visas for travel to Czechoslo-

visas for travel to Czechoslovakia, but police exit permits are required for visits to Hungary. The GDR Travel Bureau said trips to Hungary could be booked and aircraft and trains booked and aircraft and trains bound for Budapest were filled with East German "holiday-makers." An East German For-eign Ministry official said he could not say whether the gov-erment. planned curbs on

travel to Hungary.

The East German news agency ADN earlier blasted Hungary for "violating international agreements" and almost agreements and agreements and agreements are cross over ing East Germans to cross over into Austria "under cover of darkness." An "organised slave trade" was taking place under the guise of humanitarian considerations ADN said. It was deplorable that Hungarian representatives had been "induced" to support this

A respect for the past led one entrepreneur to the books that form his private library.

tling last May of the barbed wire fence with neutral Aus-

tria were part of a careful shift

in foreign policy begun in the mid-1980s.

in a number of ways. Hungary,

Arab countries, began to forge much closer relations with

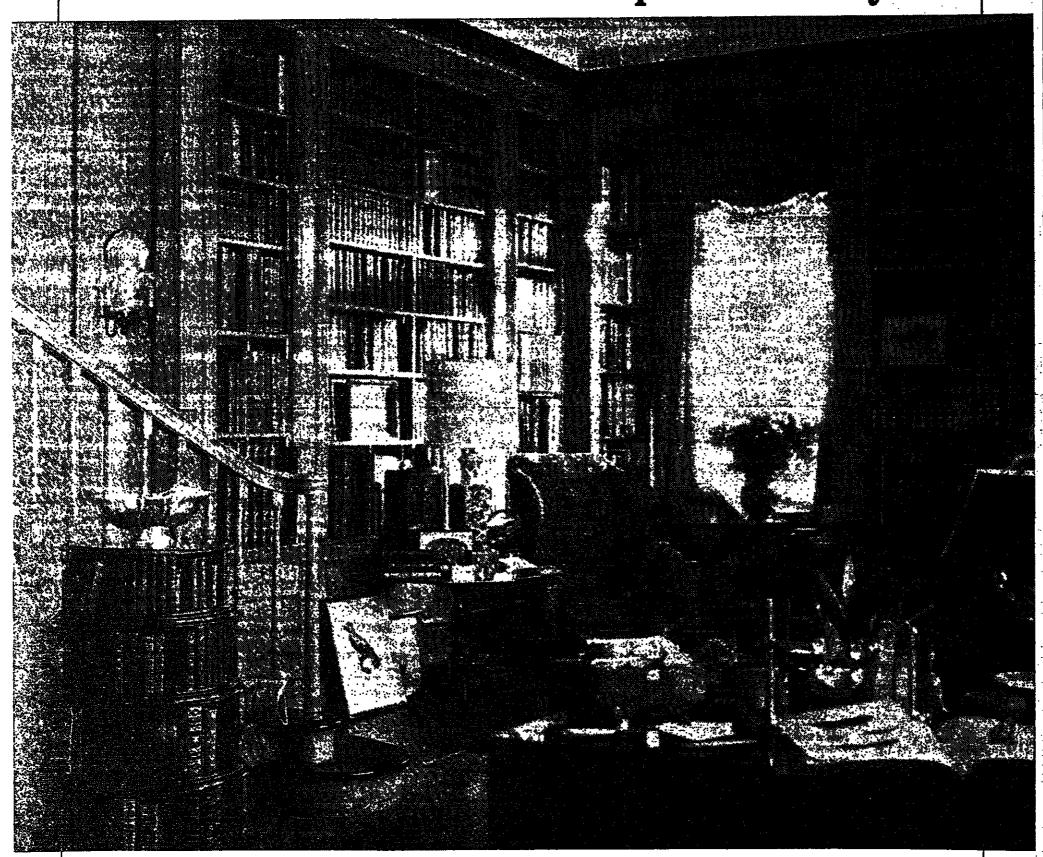
Israel. With the exception of

Romania, all the East Euro-pean countries severed diplo-matic relations with Israel

after the 1967 Arab-Israeli War.

It was also one of the first to

This shift manifested itself



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Bonn coalition closes ranks over refugee issue

By David Marsh in Bremen

RELIEF in West Germany over the release of thousands of East German fugitives has given a psychological boost to Chancellor Helmut Kohl and allowed the ruling centre-right coalition to close ranks in

unusual — and probably tem-porary — harmony.

In an aggressively optimistic speech at the opening of his Christian Democratic Union's annual conference in Bremen yesterday, Mr Kohl gave a ful-some welcome to the refugees in what he called "the free part of our Fatherland."

Hungary's step on Sunday to allow the departure of the East German emigres, the product of careful negotiation with Bonn over the past few weeks, has eased pressure on Mr Kohl and helped patch up divisions

in the party.
Discussions at the three-day conference in Bremen are certein to focus on the row over Mr Kohl's decision last month to sack Mr Heiner Geissler, the CDU's long serving general secretary. However, Mr Kohl, in a peace gesture yesterday, paid tribute to Mr Geissler's "tireless" work for the party. The Chancellor said he supported Mr Geissler's bid at the conference to win election as one of

the CDU's deputy chairmen.
The Chancellor hit out pugnaciously at radical policies on
right and left and called for a

return to basic conservative virtues as guiding precepts for the campaign leading up to the general election in December 1990. He also urged special attention for policies to protect

the environment.

Mr Kohl used his speech to attack the oposition Social Democratic Party's policies towards East Germany, in particular the support by some SPD leaders for recognising separate East German citizen ship, "Freedom and unity for all Germans" had now come nearer as a result of the commitment of Soviet leader Mr Mikhail Gorbachev to self-determination in eastern Europe. Mr Kohl claimed

Mr Kohl told the part congress that it faced a tough battle to remain in power in elec-tions next year. "It will require hard work if the voters are to renew their confidence in us in 1990," he said. "But I am sure we can do it if we recall our own strength and courage and fall back on the proven values of our party.

The Chancellor was due to delegates were to elect the party executive. Party sources said there was no doubt that Mr Kohl would be confirmed as leader, but the number of votes against him would be a barometer of his popularity after Mr Geissler's dismissal.

Vintage Champagne year in prospect

By George Graham in Epernay

THE vineyards of Champagne have started to harvest what promises to be one of the finest

crops of grapes the region has seen in many years.
Growers say that the vine-yards are in perfect health after this summer's unusually good weather, and 1989 is imost certain to be declared a vintage year for champagne.
"I think we can certainly

affirm that it will be a vintage year. 1976 was much dryer, it could be closer to 1945 or 1960," said Mr Yves Benard, chairman of Moet et Chandon, the largest champagne group, with the Moet, Mercler and Dom Ruinart brands. "It will be a fine crop, above

"It will be a fine crop, above average in quantity but exceptional in quality."

But European countries, with the UK in the lead, are drinking indre and more champagne, and this year's crop, which is thought likely to produce around 240m bottles, will barely replemish the stocks of the champagne producers.

Champagne houses already raised their prices in July, but

raised their prices in July, but the grape prices for the 1989 crop are climbing even more steeply. Growers and champagne pro

Growers and champagne producers agreed on Friday on a new price of grapes, up 13 per cent from last year.

"Do not ask me if I am happy A buyer does not jump for joy if the price of his main raw material rises by 13 per cent," commented one producer."

Negotiations on a new sixyear contract between growers and producers are due to open as soon as the harvest is over, and some observers in Champagne fear that it will prove impossible to reach agreement. The contract obliges growers to supply a certain quantity of grapes to the champagne

grapes to the champagne houses, though allowing them to keep a proportion to make into champagne themselves. It also governs grape prices.

indexing them partly on the average sale price of cham-pagne in the previous year.

ragne in the previous year.

To maintain the prosperity of all, both sides must make an effort. The growers must accept an obligation to sell grapes to the producers, but the producers must also accept that the growth of champagne

that the growth of champagne sales must slow down," Mr Benard said yesterday.

One possibility for expanding champagne production would be an extension of the area authorised for vineyards under a 1927 law, which is now almost completely planted with vines. Some zones could easily be added to the existing area without lowering the quality of the grapes produced, but there is concern about to large an extension and about property speculation.

speculation.

Mr Benard sought to allay the fears of "champagne rationing" which have swept some European countries.

There is currently an imbal-

There is currently an imbalance between our sales in France and our exports, and we should keep steady or reduce our sales in France in order to meet export demand. That means that in the medium term champagne will have to become more expensive in France.

FINANCIAL TIMES

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EUROPEAN NEWS

BNL works round clock to contain crisis

Alan Friedman reports on a team picking up the pieces after an Italian scandal

Nazionale del Lavoro (BNL) received a telephone call from Mr Carlo Azeglio Clampi Gov-ernor of the Bank of Italy Mr Nesi and Mr Giacomo Pedde, then BNL's director-general. were informed that something was seriously wrong at the bank's Atlanta, Georgia,

branch. According to a confidential reconstruction of the evolution of BNL's scandal concerning more than \$1.7bn of unauthorised Iraqi export loans, which was presented last week to the 23 members of BNL's board of directors. Mr Nesi none the less set off next day for his annual visit to BNL branches in southern Italy, only to be recalled to Rome a couple of days later by Mr Ciampi.

Mr Pedde, who resigned last Thursday along with Mr Nesi, did not spend any time in Rome at all - complaining to friends that he was tired and feeling unwell, he left promptly for a month's holiday in his native Sardinia.

On the afternoon of Saturday, August 5, the senior dep-uty general manager of BNL was on holiday on the Costa Brava with friends. Then the telephone rang. Mr Pier

T WAS around midnight catch the next aircraft back to on the evening of Friday, litaly Like Mr Nesi and Mr had more than a normal dose of crisis management in his Nesi, then chairman of Banca something was seriously carear between 1982 and 1982. something was seriously

wrong. The 50-year-old Mr Gallo walked into the bank's Via Veneto offices on the Sunday morning and has hardly been out since, save for a few hours

career between 1982 and 1987 he was successful, as chief executive of Nuovo Banco Ambrosiano in Milan, in turn-ing round the troubled bank following its collapse in August 1962.

Among investigators' discoveries has been that the Atlanta branch signed literally dozens of fresh letters of credit every day

of sleep each night and a two-day mission to Baghdad. Mr.Gallo, since the start of the scandal, has been the bank's top crisis manager, co-ordinating the work of both top executives and a 12-man round-the-clock task force that operates in three daily shifts. Mr Gallo was yesterday unavailable for comment, but Colleagus say that from early
August the extrovert banker
moved quickly to contain the
crisis in financial terms, only to discover weeks later that British; American and Italian companies were involved in trade with Iraq in militarily useful equipment and technol-

BNL's first actions during the week of August 7 were to transfer more than \$2bn of reserves to New York from branches around the world and to try to contact the central bank of Iraq. Telephone contact with Iraqi central bank officials proved impossible and so, while Mr Nesi was briefing government ministers in Rome, BNL on August 10 hired a private jet and dispatched Mr Salvatore Paolucci, a BNL vice-president, to Baghdad without an appointment.

The Iraqi central bank offi-cials who received Mr Paolucci told him the same thing that staff of 25 aides. From Georgia Iraq has been repeating ever he spent August passing on since — that it will continue to FBI leads to Rome. He and Mr

honour debt servicing on the \$1.02bn of direct loans from Atlanta to Baghdad, but that Iraq expects BNL to make good on a further \$920m of credit lines that were promised and not yet disbursed. Mr Gallo made a 48-hour visit to Baghdad at the end of August, to hold a similar conversation Meanwhile, in Rome, Mr Galio assembled a dozan hand-

picked BNL executives and created a 24-hour task-force that has been working to trace the 2,500 separate letters of credit issued by Atlanta in favour of Baghdad for US and European companies exporting to Bagh-dad. BNL also acted immediately to block any further payments from the US to Baghdad. Mr Davide Croff, a former Fiat executive who serves as BNL's finance director, was sent to New York in order to reassure correspondent banks that BNL's interbank lines were secure. Some small US banks have been calling back interbank deposits, but it is

Mr Umberto D'Addosio, another BNL deputy general manager in charge of administration, was sent in August to Atlanta along with a support

believed that for the most part

BNL is not facing any serious problems in US money mar-

Gallo also ordered the sacking of Mr Chris Drogoul, the Atlanta branch manager who arranged the Iraqi credits and who is under investigation by US and Italian judicial authori-

BNL bas meanwhile suspended without pay Mr Paul von Wedel, Mr Drogoul's deputy, and has sacked five other Atlanta bank employees. All in all, it is believed that three-quarters of BNL's Atlanta staff of 19 people were involved in the handing out of \$1.7bn of unauthorised loans,

Among the discoveries made by US and Italian investigators in recent days have been that in the months of June and July BNL's Atlanta branch had signed literally dozens of fresh letters of credits each day. On August 4, when the Italian central bank first learned from the Federal Reserve and FBI of the Atlanta scandal, the BNL branch was apparently prepar-ing to issue a further \$300m to

\$400m of Iraqi credits.
Mr Gallo, Mr Croff and Mr
D'Addosio and the BNL task force are continuing to process data and track the Iraqi money trail. Mr Paolo Savona, the new director-general who started work at BNL yesterday, was meanwhile busy seeking his first briefing and reassuring BNL's morale-stricken employees that "this bank is clean".

Fincantieri throw into the set-

tlement with no extra charge

to put a value on the ship, say-

ing that it has been fully exploited for experimental pur-

poses and, therefore, "written

Another Iraqi condition

posed since January is the sup-ply on a credit of \$150m of an advanced naval command and

off" its accounts.

grammes.
The British Government has One new demand was that the Saettia, a prototype for a series of fast attack vessels for which no purchasers have yet been found. Fincantieri refuses

both UK-registered companies

TDG denies Leader of party connection in Solidarity with Iraqi coalition resigns government By Richard Donkin

and Solidarity over the sharing out of cabinet posts. Mr Mali-

nowski had been due to retire soon at the end of a second

The government which has

been put together over the past

two weeks by Mr Tadeusz Mazowiecki, a Solidarity leader

is to contain ten Solidarity

members, four Peasant Party ministers, four communists

and three members of the

Mr Malinowski's resignation

came after Mr Mazowiecki

refused to accede to demands

by the ZSL national leadership

as well as its parliamentary group that he ask Mr Kazim-

small Democratic Party (SD).

TECHNOLOGY MR Roman Malinowski, the Development Group, the Lonhead of Poland's Peasant Party don trading company at the centre of an Iraqi-owned com-(2SL) who last month opened the way to the formation of ponents group in the UK, named in the BNL affair, said Eastern Europe's first noncommunist-led government yesterday it was a private company which has no connec-tions with the Iraqi Governwhen he abandoned the Communist Party and made com-mon cause with Solidarity. resigned yesterday on the eve of a vote on the new cabinet. His resignation is not expec-ted to affect the composition of the Solidarity-led government, though it does reflect a strug-gle between the Peasants Party

Mr Jon Hana, a director of TDG, confirmed from the company's London office today that it was a subsidiary of the Al-Arabi Trading Company of Bagdhad. He refused to who Al-Arabi's shareholders

were. He also refused to talk about TDG's role in the purchase of a former Lear Fan aircraft fac-tory in Northern Ireland. The company has a half share with the Space Research Corpora tion of Canada in a company called Canira which had an application for grant aid turned down by the Northern Ireland Development Board. The board was acting on advice from the Foreign Office which has been worried about the potential of some British companies to export material or technology useful to the Iraqis in their missile pro-

been convinced since a meet-ing between Mr William Wal-degrave, the Foreign Office junior minister and diplomats at the Iraqi Embassy in Lon-don earlier in the year, that Iraq is involved with Argentina in the Condor II missile programme to develop a new generation of land-based mis-

The Government is particu larly concerned at any possible potential for some British companies to assist in a programme which could ultimately threaten its hold on the Falkland Islands.

Matrix-Churchill, a Coventry-based machine tool manufacturer, owned by the Al-Ar-ahi Trading Company through TDG and TMG Engineering, has assured the Department of Trade that it has no involvement in supplying components for missile manufacture. It says its equipment in Iraq is being put to non-military uses. ierz Olesiak, the Agriculture Minister and a 2SL member to stay at his post.

Instead Mr Mazowiecki has handed the farming ministry over to Professor Czeslaw Janicki, a ZSL deputy from Poznan who was supported by Solidar-ity in last June's elections in the hope that the appointment would mollify Solidarity 's farming wing Rural Solidarity. Rural Solidarity has been demanding that the post go to one of its members and has protested directly against the appointment of Mr Olesiak. Mr Malinowski resigned yesterday as a direct result of his failure to secure the job for Mr Cle-

Reformers inside ZSL hope the alliance with Solidarity will help the party win credi-bility and they also hope to represent the interests of farm-

Last Friday Mr Janicki failed to gain the approval of parlia ment's farming committee and his candidacy may meet with renewed opposition in today's vote. Mr Malinowski is expected to be replaced by Mr Ludwik Dominiczak, a member of the present ZSL leadership.

MPs accuse Papandreou over telephone tapping

By Kerin Hope in Athens

A SPECIAL parliamentary committee yesterday called for the prosecution of Mr Andreas Papandreou, the former social-ist prime minister, on charges that he ordered systematic telephone-taps of both political rivals and close associates during his eight years in office.

The recommendation was made by a 12-member commission of inquiry set up by the ruling Conservative-Commu-nist coalition. The five Socialist members of the commission dissociated themselves from the report, which alleged that the former premier instigated telephone-tapping that violated constitutional safeguards.

Parliament is to vote later this month on whether to refer Mr Papandreou for trial by a

special court. There can be no hearing until the commission's

findings are confirmed by a separate judicial investigation. The accusations were the first to be directed formally against the former premier in the coalition government's current drive against corruption in Greek public life. The inquiry was told that Greece's

former intelligence chief, Mr Costas Tsimas, supplied tapes of conversations involving leading politicians from all parties, as well as Ms Dimitra Liani, the airline stewardess whom Mr Papandreou married shortly after he lost power in the June election.

Mr Papandreou, who denied any wrongdoing, refused to appear before the commission.

Scandal deepens Iraqi-Italian arms cash row

THE secret financing scandal swirling around Banca Nazion-ale del Lavoro looks certain to hold up the settlement of a three-year dispute between Italy and Iraq which has blocked payments due to Ital-ian companies estimated at \$3bn-\$4bn, John Wyles reports from Rome

Italy's failure to honour a 1980 contract to supply 11 naval ships lies at the h the dispute, so the Italian government is anxious to avoid adding to the avalanche of embarrassing headlines about arms dealing which have been set off by the BNL Atlanta

In addition, both Ministers and senior executives of companies which have traded withiran fear that Baghdad may make its agreement on a settlement of the ships dispute conditional on BNL honouring the \$920m of unused credits which have been booked in its favour

"They have got a knife at our throat," said one govern-ment official yesterday. Given their alarm and desire to let the dust settle, it is thought highly likely that a meeting of senior ministers called for the end of this week to discuss the payments dispute will be postponed. Further delay is a serious

blow to the many Italian companies which cannot bid for a slice of Iraq's post-war reconstruction work until normal commercial relations are

Raghdad has halted virtually all payments - possibly total-ling up to \$40n - due on contracts signed with Italian com-panies since Rome tightened

up its arms embargo to both languishing at the Italian sides of the Iran and Iraq war at the end of 1966.

While magistrates are investigating several cases of sus-pected subsequent abuse of the embargo, its most celebrated victims were the four frigates, six corvettes, a naval support vessel and a floating dock which Iraq ordered from Fincantieri, the state-owned shipbuilder, at the end of 1980 in a total contract worth \$2.7bn. The naval support vessel was delivered in 1984 and the dry dock in 1985.

Both are still moored at Alexandria in Egypt because it was impossible for Iraq to bring them into the Gulf war

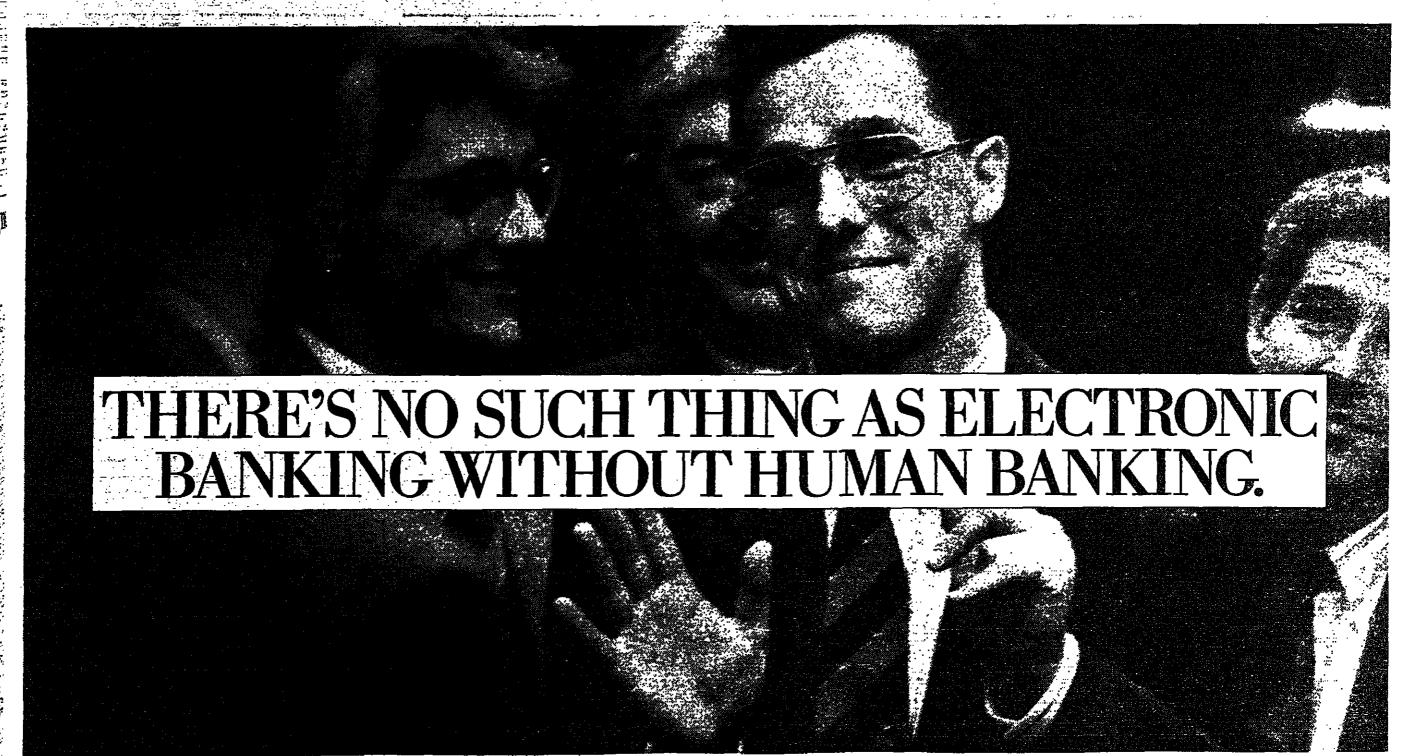
Two helicopter-carrying cov-vettes were taken in delivery by Iraq, but without their armaments, and they are still naval base at La Spezia. Since then, another five vessels have been completed, but held in Italy, and the final three are due to be fitted out by the end

of the year. In January, the two governments agreed in principle that the vessels would all be delivered by Italy and all outstanding debts paid by Iraq. But the actual financial details were then left to be negotiated between Fincantieri and the Iraqi government. No strangers to bare-knuck-

led negotiations, the Italians were surprised and more than a little outraged by the subse-quent Iraqi tactics, above all because of the extra demands Baghdad pumped into the negotiations. Hence the fear that the Atlanta credits may become another condition for

control system, manufactured by state-owned Selenia, which Baghdad wants to base onshore. The Italian government gave Selenia permission to open negotiations on a possible sale in 1985, but these were halted

with the 1986 embargo.



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AWORLD OF UNDERSTANDING.

OVERSEAS NEWS

Roh unveils plan | Rush is on for invitations to Nigeria's political 'party' for Korean reunification

By Maggie Ford in Seoul

PRESIDENT Roh Tae Woo of South Korea yesterday unveiled a detailed new formula for a transitional period leading to reunification with communist North Korea.

Addressing the opening of the autumn session of the South's National Assembly, he said that changes in the inter-national situation had encouraged him to believe that the time was right for the South to be more forthcoming in its

reunification policy.

President Roh said that he hoped a breakthrough in rela-tions between the two sides could be achieved by August 15 next year, the 45th anniversary of the division of the penin-

Until the end of the Second World War, Korea was a colony ruled by Japan. The Japanese surrender was taken jointly by the US and the Soviet Union and troops met at the 38th Parallel. Five years later, the Korean war broke out and the two sides have never signed a peace treaty. The US stations 43,000 troops in South Korea. Under President Roh's proposal, which has been drawn

up after wide consultation in the South, a transition period would allow the restoration of national community after 40 years of no contact. Unification would be pursued on the basis of self-determination, peace and democ-

racy. A council of presidents would be set up to decide issues, along with a council of ministers and five sub-committees covering political, mili-tary, foreign policy, humanitar-ian and socio-cultural issues. A legislative body compris-

ing 50 parliamentarians from each side, along with a joint secretariat and resident liaison missions in both capitals, would be established.

After the transition period, Mr Roh envisages a unified country which would have a bicameral parliament, the upper house elected on a federal or regional basis, the lower house by universal vote,



Roh: time is right

which would administer a democratic welfare state based on freedom and equality with a free enterprise economy and a self-reliant foreign policy. President Roh's statement

marks a change from former South Korean unification policies and could provide a nego-tiating base for the two sides after other barriers are

He has placed political and military talks on the agenda for the first time, and has agreed to equal representation from both sides. His descrip-tion of the two sides in the transition as one nation, two entities, is closer to North Korea's proposal of one nation, two systems than previous

Southern formulae.

Two main barriers still remain to meaningful talks between the two sides. North Korea has demanded that the South change its National Security Law under which contact with the North is punishable. It has also demanded negotiations over the withdrawal of US troops from the South. The issue has recently surfaced in the US Congress, but the Administration has promised to continue the commitment for the time being.

during the last year and apart

from increasing deafness he is known to have serious prostate

trouble which some reports say

Had Deng died the authori-

is malignant.

ther turmoil.

Peking tributes increase speculation about Deng

By Robin Pauley, Asia Editor

SPECULATION about the state of Deng Xiaoping's political and physical well-being contin-ued to mount yesterday when the official Chinese press publife and work.

Deng was last seen in public in June, since when there have been repeated rumours that he is very ill, all of which have been strongly denied by the Foreign Ministry in Peking. But on Saturday he missed a meeting with a visiting head of state for the first time in sev-

eral years. Yesterday the People's Daily printed two separate articles, occupying nearly two full pages, describing Deng's achievements as far back as the 1940s and his contributions

full of speculation, abuzz. Deng has become increasingly frail

his decade or so in power, has become the centre of a limited to Communist theory. This set the capital, already personality cult since the June

China's risk rating worsens

CHINA'S country risk June with the crushing of the assessment has been down-pro-democracy movement. graded sharply from 7.6 on a 10-point scale to 5.6 by the Japan Bond Research Institute, one of the country's most influential ratings agencies, Robert Thomson reports from Tokyo. The agency said that the fall in China's rating, which means that it drops from a class B "little risk" country to a Class C "some risk" country, is "attributable to political and

pro-democracy movement. Debt servicing capacity was rated at 5, a fall of 1.3 points, in the "expectation that the country's foreign currency earnings will decrease".

Deng, who has avoided per-

sonal tributes during most of

Japanese banks are soon to begin seasonal re-assessments of country risk, and most say China will get special attention. One banker said China should have no trouble getting new commercial loans, but will

The field narrows - in numbers and diversity - as deadline for new system nears, writes Julian Ozanne

sion in the wealthy Lagos suburb of Ikoyi, Chief Emmanuel Iwuanyanwu oversees the running of his multi-million-naira business empire: a merchant hank, some insurance companies, several factories, a daily newspaper and Nigeria's leading football

The robust and portly chief, dubbed by some the Robert Maxwell of Nigeria, has emerged as the leader of one of the country's new political par-ties – the Nigerian National Congress.

Enveloped in a huge arm-

chair and surrounded by four-foot-high colour photographs of himself, Chief Iwuanyanwu explained the philosophy of the "We are a party based on free enterprise . . . with mil-lions of members in each of the 21 states, and we have brought

together Christians and Moslems to work for the national unity, peace and economic progress of Nigeria and not for our own personal gain," he These laudable aims are

designed to appeal to the National Electoral Commission

(NEC) and the military government of President Ibrahim Babangida, who came to office in 1985 in the country's sevtian south.

enth military coup in 29 years of independence. Between them they will soon decide which two parties of the 13 presently applying for registra-tion may contest local, state, gubernatorial and, eventually Presidential elections as part of the phased transition to civil-

ian rule in 1992. Last May the President lifted the six-year ban on partisan political activity (although for-mer politicians remain ban-

A series of guidelines for aspirant political parties wish-ing to be registered was laid down. These included an even spread of members, and the establishment of functioning party offices in each of Nigeria's 21 states. The measures were designed to avoid party groupings coalescing around the three main ethnic groups - the Yoruba, the Ibo and the Hausa, who dominate west, east and north Nigeria

respectively.

They were also intended to try to avoid the traditional politico-religious divide

between a predominantly Mos-lem north and a largely Chris-

In the run-up to the deadline for applications for registration last July, nearly 50 political associations were launched. But, after a chaotic period of mergers and combinations only 13 eventually applied.

The Government will make the final decision on the basis of an NEC shortlist. Two party local government elections fol-low in December and state and gubernatorial elections in the first half of next year.
Of the 13 political associations only five look like serious contenders – the NNC, the People's Solidarity Party, the Liberal Convention, the People's Event of Niceria and the

ple's Front of Nigeria and the Nigerian Labour Party. Few observers expect the NLP, with its radical opposi-tion to the economic reform programme under way since 1986, to be registered. There is little ideological difference

between the remaining four heavy-weights. Manifestoes have been kept remarkably vague; the only noticeable dif-ference is a slightly left-of-centre welfare policy bias of the PSP and PFN.



Babanqida: lifted six-year ban

Many Nigerians are scentical that the parties and their leaders represent the "new breed" of politician President Babangida says the country needs, and suspect that the new par-ties are merely the old parties

des are merely the oin parties dressed up in new clothes.

"I'll tell you what the Nigerian new breed is," says one leading businessman and former politician. "He is 60 years old, he is a known crook and a vagabond, he has no back-

ground, he is a wheeler-dealer and he is a politician. Ever since independence he has been going for election and los-ing. His people never wanted him in office and he has never served. Today he is a new

hreed."

Many Nigerians are disturbed by the high cost of politicking, which tends to leave the field open only to business tycoons. The local Newswatch magazine has estimated that the registration process alone will cost N250m (£22m).

Critics across the military of

Critics accuse the military of critics accuse the minuary of-stifling the emergence of the democratic process by sup-pressing political debate on key issues such as the econ-omy, and by guiding the pro-cess in such a way as to min-imise the development of

alternatives.

They fear that the two par-ties selected will be coalitions of élites who had the money to build nationwide party machinery and achieve the required geographical spread of members.

There is nevertheless a wide-spread belief that the Government is genuinely trying to bring about a new order in the face of tremendous obstacles.

So far most of the parties have chosen to avoid the reli-gious issues which have historically been a source of conflict. Many observers believe the two-party system, based on country-wide alliances, could

But by far the most sensitive issue for the government is the groundswell of popular opposition to its economic policies. In May, riots erupted throughout the country as attidants and take root. the country as students and youths protested against the structural adjustment programme. The government detained hundreds of people and closed eight university campuses, six of them for a

The crackdown severely damaged the Government's human rights image, already stained by earlier arrests of journalists and lawyers under the State Security (Detention

of Persons) Decree.

A relief package to ameliorate the austerity measures and a feeling that the transition programme is still on course keep dissent at bay. But as Nigeria moves closer to the target of civilian rule in 1992 the underlying tensions could the underlying tensions could yet come to the surface.

Soviet threat stressed by Japanese THE SOVIET Union poses a strong military threat in the Far East despite the recent

relaxation in East-West tensions, according to a report issued today by Japan's Defence Agency, Reuter reports from Tokyo.

The agency said Moscow was improving the quality of forces stationed near Japan, in

spite of reducing the number of troops in the Far East. "The developments in the Soviet Far East forces pose a latent threat to Japan." the report said. Most Soviet Far East forces.

other than ground forces, are on Sahkalin island, the Sea of Okhotsk and the Kamchatka Peninsula – all near Japan, the report said. These units were equiped with up-to-date weapons, it added. "Since the advent of Mr Gor-

bachev as Soviet leader in 1985... the increase or improvement in the Soviet improvement in the Soviet military has continued, particularly in the case of naval and air forces in the Far East," said Mr Yuuken Hironaka, a Defence Agency official. "I think our basic idea is to continue the defence efforts that we have made in the past. At least, we should not lower the level of our defence efforts."

ties may well want to conceal Last month, the agency asked for a 6.35 per cent increase in its budget for fiscal the fact until after National Day on October 1, the 40th anniversary of the Communist 1990-91 starting next April. Revolution. Plans are advanced By next year, the agency must also announce its five-year defence mid-term build-up programme for 1991-95 as well as a long-term defence policy outline. Mili-tary analysts said the report is designed to instity. Topon's for huge celebrations which the authorities hope will con-vince the Chinese people and the world that the country is back to normal after the massacre of demonstrating stu-dents in June. The death of designed to justify Japan's steady arms build-up domesti-cally in the face of US Deng would kill the celebrations and might provoke fur-

> Japan to deport Chinese refugees

the region.

demands that Tokyo share more of the defence burden in

Japan said yesterday that Indochinese boat-people classi-fied as economic refugees would be detained, and deportations of Chinese refugees may begin in the near future, despite Peking's warnings that they would be prosecuted, Robert Thomson reports from

The Foreign Ministry indicated that detention camps would be built for Vietnamese regarded as economic refugees, and that they would remain there until they decided to return home or a economic instability which have to pay more for them, repatriation agreement was came to a dramatic climax" in perhaps an extra 0.5 per cent.



Mr Andimba Toivo ya Toivo, secretary General of the South West People's Organisation (right), is greeted by well-wishers yesterday on his arrival in Namibia after 30 years' extle, AP writes. Mr ya Toivo and Mr David Meroro. Swapo national chairman, accompanied by dozens of other party officials, arrived

at the Windboek airport on an Angolan Airlines flight from Luanda. "Home, sweet home." Mr ya Tolvo said after kissing the tarmac. "It is very sweet to be back." He is due to be joined on Thursday by Mr Sam Nujoma, the Swapo president, for the final weeks of campaigning for November's

pre-independence elections. Mr va Toive, considered Swapo's second ranking official, was one of the organisation's founding fathers in the late 1950s and early 1960s. He was convicted of terrorism under South African laws in 1967 and served 17 years

in South African prisons.

Arafat in Cairo for election talks Australian air

By Hugh Carnegy in Jerusalem

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, arrived in Cairo for talks with Presi-dent Hosni Mubarak yesterday, the latest development in efforts to bridge the gap between Israel and the PLO on Israel's proposal for elections in the West Bank and Gaza. As US talks with the PLO —

opened late last year — have failed to produce a break-through on the election issue, Egypt, the only Arab country to have made peace with Israel, has increasingly become the

focus of diplomatic attention. Visitors there include Palestinian leaders from the occupied territories anxious for political

Cairo has responded to Israel's suggestion of elections leading to Palestinian autonomy in the occupied territories with 10 conditions. These include Israeli acceptance that an interim autonomy period be followed after a fixed time by a negotiated final settlement based on the principle of exchanging land for peace embodied in UN resolutions

242 and 338 The 10 points also propose that elections include the 140,000 Arab inhabitants of East Jerusalem, that they be monitored by international observers, that Israeli troops withdraw from polling areas on election day and that israel

guarantees the security of those elected. Mr Shimon Peres, Israel's Labour leader, has welcomed

the Egyptian conditions. But they are far from being accepted by Mr Yitzhak

Shamir, the Prime Minister.

Jordan secures bank debt accord

JORDAN'S Finance Ministry said yesterday that the country's commercial lenders had agreed in principle to resched-ule \$575m in debts due over a 30-month period, AP-DJ writes The agreement, announced

by Jordan Radio, is part of a series of steps taken by the Government to overcome a bal-

ance of payments crisis largely triggered by mounting obligations on Jordan's \$8.3bn debt. The agreement followed two days of talks between six banks representing the London club of commercial lenders and Jordanian officials led by Mr Bassel Jardaneh, the Finance Minister, and Mr Mohammed Said Nabulsi, the Central Bank

Governor. The commercial banks grouped under the club hold about \$1.1bn of debt. The statement quoted a Finance Ministry official saying the bank had agreed to reschedule \$575m due from the start of this year through mid-1991. The sum agreed was \$125m more than Jordan had

row stalemate By Chris Sherwell

WORDS rather than aircraft flew yesterday as the Austra-lian pilots' dispute, exacting an ever higher cost, moved

an ever higher cost, moved-into its fourth week with no sign of solution.

The dispute, over a 29 per cent pay claim by 1,600 pilots, led last mouth to their mass resignation and the grounding of all domestic flights. The action has throttled tourism and disrupted business.

and disrupted business.

Last week, Ansett and Australian Airlines, the two leading carriers, backed by Mr Bob Hawke, the Prime Minister, predicted their airliners would be flying early this week. Yes-terday, their predictions remained just that. Sir Peter Abeles, head of Ansett, threatened to close his sirgline, without them in the predictions.

airline rather than give in to the pilots. Both airlines still divulge to say how many pilots were persuaded to return, or the terms on which

they were being re-hired.

The Australian Federation of Airline Pilots says none of its members had yet algued up.

troops and police reinforce-

resources group which owns 53 per cent of Bougainville Cop-per, to resume operations. But gunshots fired at a bus carrying mine employees prompted an embarrassing shutdown nine hours later, followed by the bombing of two pylons car-

after midnight.

A re-opening of the vast open-cut mine, the country's Exports of its copper and gold concentrate bring in 44 per cent of Papua New Guinea's foreign exchange earnings. Through taxes, royalties and dividends dividends - the government has a 20 per cent shareholding - it produces around 17 per

to lift suspension on trading its

Algeria's reform-threatened FLN returns to the subversive

The Party is trying to sabotage changes favoured by the President and endorsed by referendum, writes Francis Ghilès

LGERIAN President Chadli A Bendjedid's abrupt dismissal of Prime Minister Mr Kasdi Merbah at the weekend comes at the end of a summer marked by fast-rising prices and severe shortages of staple foodstuffs and consumer

Semolina, the base of the national dish "couscous", is unobtainable in many Algerian towns, and cooking oil vegetables and, more recently, cigarettes have disappeared from shops only to be found at up to four times their official price on the black

These shortages are not, in most instances, the consequence of any lack of local production (cigarettes and vegetables) or imports (semolina). Most observers agree they are being deliberately engineered by people in the middle and higher ranks of the Front de Liberation National party (FLN) which has held

a monopoly of power since 1962. The endorsement last February by a large majority of Algerians of the reforms proposed by the president to socialism has made the FLN and its deputies, who still hold all the seats in the Assemblée Populaire



calling for a multi-party system and the end of the country's commitment

Nationale, feel threatened. New political parties, a score of associations, radio and newspapers, most notably that flagship of Alge-

rian glasnost Algérie Actualité, have become much more forward in their description of the country's ills. Those few among the FLN hierarchy attempting to question the old ways are being silenced or, as in the recent instance of the editor of the

party's weekly Revolution Africaine, Summarily dismissed. Mr Merbah ran the much-feared internal security apparatus under the late President Boumedienne and helped to push a reluctant Colonel Chadli to the fore in the battle for succession 10 years ago. But how convinced he was of the need for reform is difficult to say. Since he was appointed Prime Minister last December in the wake of the worst

dence in 1962, he has had an unenviable task A few day ago, in Oran, the capital of western Algeria, three shopkeep-ers were arrested after having failed

violence since Algeria won indepen-

to present invoices showing where they had purchased the goods they were selling. They protested that no shopkeeper who wished to stay in business could do so if he chose to rely on the state distribution monopolies which alone issue invoices but increasingly have no goods to dis-

In private recently, some of the most senior members of the cabinet have vented their despair at what they felt was the Government's lack of courage and determination in tackling the difficult problems Algeria faces.

The successful conclusion of negotiations to raise SDR47im (£373m) from the International Monetary Fund last June, a more recent \$300m (£194m) re-structuring loan from the World Bank and the country's greater willingness to sell its major asset, natural gas, at market prices have helped rebuild a measure of confidence among Algeria's creditors in its ability to meet its debt commit-

But that credibility will not last if

Algeria's rulers fail to implement the

Algeria's rulers fail to implement the reforms endorsed in the referendum last February and in the re-election of President Chadli which followed.

The Prime Minister attempted, in the presence of Algerian and foreign journalists on Saturday might, to protest his innocence and project the blame for the unpopularity of his cabinet and the disorder of recent months on the "spoiling tactics" of the trade unions and the media.

Such clumsy protestations will not Such clumsy protestations will not have endeared him to ordinary Alge-rians. The latest issue on Thursday

of Algérie Actualité carried some pungent articles describing the decomposition of the FLN, many of whose militants who have not profited from rackets feel betrayed and

Mr Merbah's questioning of the President's right to dismiss him drew a sharp comment from the official APF news agency the next morning. Did Mr Merbah suggest he was offering himself as a constitutional alternative to the head of state? APF reminded its subscribers

that the new constitution granted the head of state the absolute right to appoint and dismiss the Prime Minister

It stressed that the head of state alone had stood for re-election since alone had stood for re-election since the riots last October.

By inachtime on Sunday, Mr Mer-had had conceded the President his right to dismiss him. He has been replaced by Mr Mouloud Hamrouche, secretary sameral of the Presidence. secretary-general of the Presidency and the pivot in recent years of Pres-ident Chadli's attempts to reform

A hard worker and a man of few words who at 15 joined the guerrillas fighting the French, Mr Hamrouche now has to form a government. The list of those who take the key portfoliate of those who take the key portfoliate of the second or the second of the second or the s lios will quickly provide an indica-tion of his determination.

The most encouraging aspect of the past two days, however, may be that, for the first time, a serious dis-agreement among Algerian leaders has been conducted by means of a constitutional argument, and in pub-lic, rather than behind closed doors.

Bougainville Island politician assassinated

By Chris Sherwell in Sydney

A POLITICIAN on Papua New Guinea's Bougainville Island was assassinated yesterday, highlighting the government's problems in restoring security on the island and undermining hopes for an early re-opening of the vital Bougainville Cop-

per mine. The victim, Mr John Bika. was an important member of the local North Solomons provincial government, and his murder confirmed that the 10month sabotage campaign which has shut the mine since May is aimed at its long-term closure and the province's secession from Papua New

The government of Prime Minister Rabbie Namaliu had hoped increased benefits for local landowners and the island as a whole would overcome renewed secessionist pressures in an area which, in 1975-76, when colonial rule ended in Papua New Guinea,

fought for its own indepen-But the death of Mr. Rika who stood against secession as a solution to the island's problems and whose constituency included the mine, came one day before Mr Namaliu was

expected to sign a package of welfare, royalty and other financial payments for the That signing looked likely to be delayed yesterday, and Mr Bika's assassination, apart from intimidating others, could escalate security force operations on the island and end all Port Moresby's attempts at negotiation with

Mr Francis Ona, the former mine employee who leads the band of militant landowners. They launched their attacks on the mine's property and per-sonnel last November, and their actions precipitated cur-fews and the arrival of army

The result has been relocation of local inhabitants, reports of villages being razed, a mounting death toll — and a failure to capture Mr Ona. A week ago, assurances that security had been restored prompted CRA, the Australian

rying power to the mine.

Mr Bika was reported to have been shot in the stomach and head by a group of men who attacked him at his home

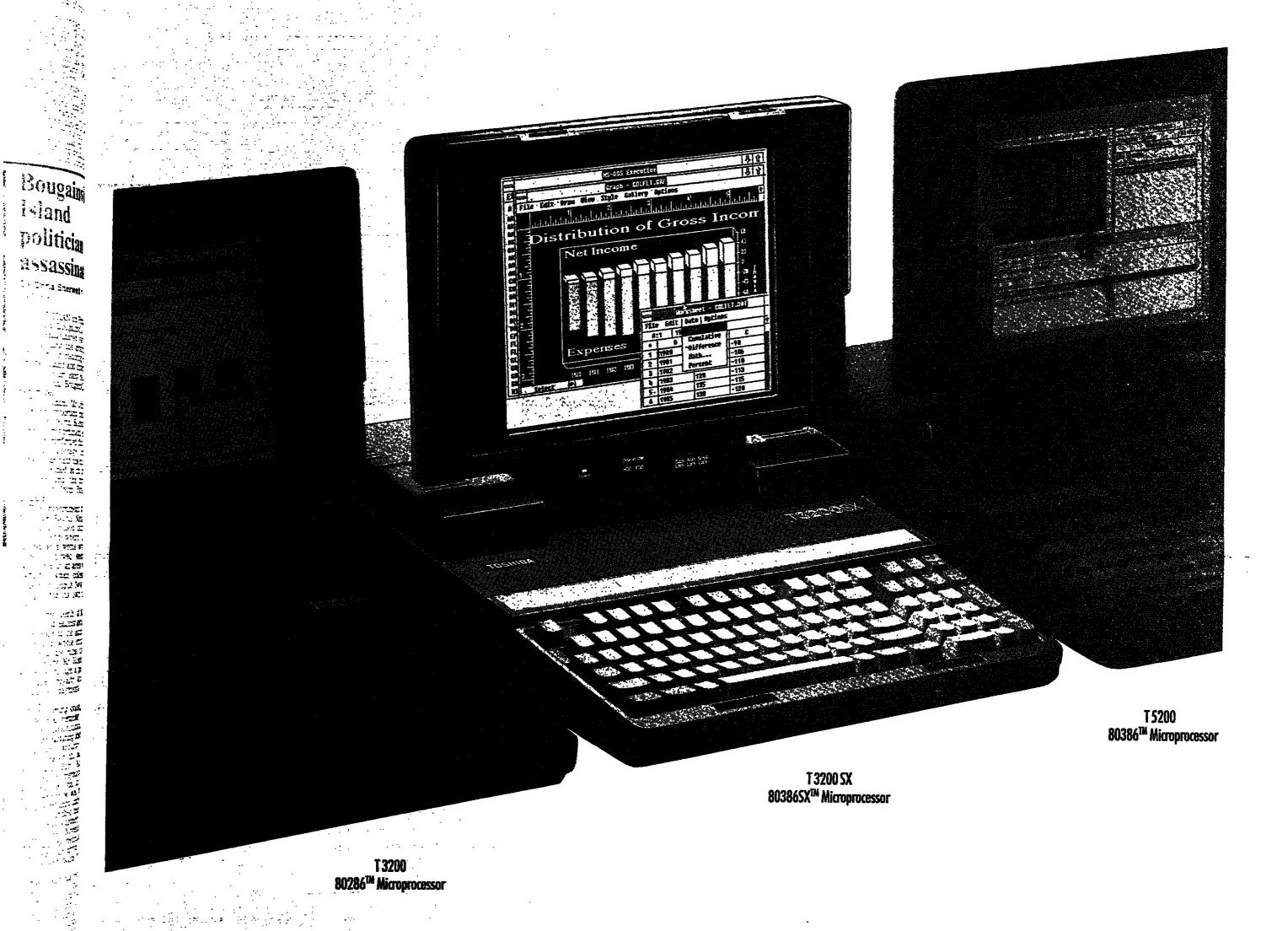
cent of the state's internally generated revenues.

Singapore plea

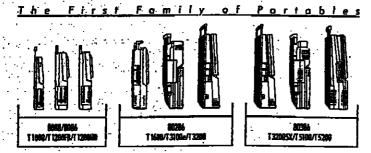
Mr Allan Ng, a Singapore banker, yesterday pleaded guilty to insider trading, reversing an earlier plea, Reuter reports from Singapore. Mr. Ng. a former deputy chairman of United Overseas Bank, admitted he bought 1m shares of Singapore's Sealion Hotels in October 1986 shortly after he found out the company had asked the local stock exchange

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AMERICAN NEWS

UK pledges aid for Colombia in drugs battle

By Lionel Barber in Washington

BRITAIN will join the US in providing training and technical assistance to the Colombian Government in its fight On East-West relations, Mr against drug traffickers, Mr John Major, UK Foreign Secretary, told President George Bush in Washington yesterday. Mr Major said the aid would

be the first tranche of what he expected would be "substan-tial" British aid to Bogota. During his visit to Washing-

ton — largely a "get-acquainted" trip since his appointment in a Cabinet reshuffle last July — Mr Major is due to meet Mr James Baker, US Secretary of State, Mr Richard Cheney, Defence Secretary, and other senior administration figures.

After a 90-minute lunch with Mr Baker at the State Department, the Foreign Secretary said the recent elections in South Africa provided President F.W. de Klerk with a strong mandate for change. There would be "no excuse" if he failed to move towards

political reform.
Yesterday, Mr Major repeated his opposition to new economic sanctions against the Pretoria Government, but added: "There is total unanimity within the British Government, and between the British Government and the American Government, that apartheid needs to be dismantled compre-

Other topics for discussion included East-West relations, Cambodia, China, Afghanistan, and Hong Kong, on which Mr Major appealed for support and understanding for the "very acute and very difficult" Vietnamese refugee problem. Brit-ish officials said there was "no prospect" of resettling the 50,000 Vietnamese in Britain,

Major discussed the upheaval in the Soviet Union and the meeting in Wyoming of Mr Baker and Mr Eduard Shevardnadze, his Soviet counterpart, on September 22-23. That weekend, Mrs Margaret Thatcher, British Prime Minister, Is to hold talks with President Mik-

hail Gorbachev in Moscow on her way back from Japan. Regarding Colombia, Mr Major said a British team of experts was in Washington after a visit to Bogota assess-ing how to help President Vir-

gilio Barco's Government. The Foreign Secretary said he could not estimate the cost of the UK aid to Colombia, but it would take the form of military training, help to protect the judiciary, and provision of personnel. He declined to comment on questions about the role the SAS or other special anti-terrorist group might play.
Interest in the role of US mil-

itary advisers has risen since the disclosure at the weekend of a classified National Security Decision Directive which authorises US advisers to move outside base camps to "secure" areas. This could open the way for an expanded role for US troops in the anti-drug effort in Colombia, Peru and Bolivia,

officials said. Mr Major is due to deliver a speech on Europe in New York tonight, when he is expected to strike a more positive tone than of late towards the European Community, British offi-cials say. Yesterday, Mr Major said it was wrong to assume Britain was lukewarm about Europe. "We are not a poor European," he said.

"This is not a matter of funds being redirected from one set of environment objec-

tives to another, but of genuine

The bank believed there was a close link between poverty, the environment and develop-

ment, he said. Developing countries had to be offered choices that would allow them

to grow. Rich countries should

not force them to stagnate in

additionality," he said.

World Bank offers loans for combating pollution

By Peter Montagnon, World Trade Editor additional costs.

THE WORLD Bank will make available \$1.3bn in loans to developing countries over the next three years, specifically to help them combat pollution and protect the environment, Mr Barber Conable, its presi-dent, said in Tokyo yesterday. Unveiling to a conference on

global environment a series of measures planned by the bank, he rebutted criticisms that it was not doing enough regarding the environment, but protection of the environment development would involve protection.

Black leads NY

AS THE VOTING booths

opened this morning in New York city for the primary con-

tests to choose candidates for

the mayoral election, Mr David Dinkins was ahead in

the opinion polls and so in line to be the first black person nominated for the job by the dominant Democratic Party,

As Mr Dinkins and his main

rival, the incumbent mayor Mr Edward Koch, ended weeks of

hectic campaigning, a poll by the New York Daily News and Channel 7 put Mr Dinkins seven points ahead. In the Republican Party primary, Mr Rudolph Giuliani is expected to beat Mr Ronald Lauder.

Mr Dinkins will need to secure black support at almost the high level in the city that backed Rev Jesse Jackson in

the Democratic presidential

primary last year.

party contest

By James Buchan in New York

Drexel pleads guilty to fraud

By Karen Zagor in New York

DREXEL Burnham Lambert, the big US investment house, yesterday pleaded guilty to six felony counts of mail and securities fraud, ending eight months of negotiation and

Last December, Drexel had agreed in principle to plead guilty to the six charges and to pay \$650m in fines and restitution, so as to avoid more dam

non, so as to avoid more damaging charges, which might have included racketeering.

However, the guilty plea was hamstrung by repeated challenges by Mr Michael Milken, former head of Drexel's junk bond trading, and his brother, Mr Lowell Milken.

The charges of fraud and

The charges of fraud and other illegal acts between 1984 and 1985 arose from a two-year investigation of the affairs of Mr Ivan Boesky, who was convicted of insider trading.

Safety changes proposed for McDonnell Douglas

By Roderick Oram in New York

A TASK force of US government and aviation industry experts yesterday proposed modifications to improve the safety and extend the lives of 1,900 ageing McDonnell Douglas jet airliners.

The changes will cost about \$290,000 per aircraft or about \$563m in all, the task force said. The Federal Aviation Administration will make the changes mandatory soon for US-registered aircraft. Its coun-terparts abroad will probably adopt the rules for McDonnell Douglas aircraft registered in their countries.

The task force is the second organised by the Air Transport Association, which represents US airlines. The first produced a study on elderly Boeing airliners in March. The third and last task force will report this year on changes to Lockheed, Airbus Industrie, British Aero-space and Fokker aircraft.

The studies were initiated after a spate of mishaps to older airliners, the most notable having been the peelingaway of a top section of fuselage on an Aloha Airlines Boe-ing 727 over Hawaii last year. The decision to modify old aircraft marks a sharp change in tack for US regulators. Till the adoption of the Boeing modifications this year, author

modifications this year, authorities had stressed regular inspection of aircraft to detect metal fatigue and corrosion.

The Boeing changes entail an average of about \$600,000 per aircraft, roughly double the McDonnell Douglas figure. Avmark, a Washington avia-tion consultancy, said the bill was smaller for McDonnell Douglas craft because they were suffering fewer corrosion problems than Boeings.

The McDonnell Douglas changes range from \$90,000 for early versions of the MD-80 to \$490,000 for early DC-9 airliners which came into service 25 years ago.

The changes are based on recommendations by the company. The Air Transport Association said some airlines have already modified or changed many of the parts identified in

Gorbachev has year to succeed,

By Lionel Barber

US told

Φ

THE MAVERICK Soviet politician Mr Boris Yeltsin. making his first visit to the US, yesterday predicted that President Mikhail Gorbachev has six months to a year to show progress in the Soviet Union, or face "a revolution from below". Mr Yeltsin said the first

warnings of such a revolution had already occurred, with strikes and demonstrations from the Baltic to the Cauca-sus. "You have a crisis in the economic system, in the financial system, a national crisis, a nationalities crisis, a social crisis, and a crisis in the party," said Mr Yeltsin on TV. He was sacked from the Politburo two years ago when he criticised Mr Gorbachev for not proceeding rapidly enough with reforms. Mr Yeltsin is on a two-week tour of the US, meeting politicians, business people and academics.

He arrives as the Bush Administration is turning its mind increasingly to East-West issues, particularly via the meeting later this month in Wyoming of Mr James Baker, US Secretary of State, and his Soviet counterpart, Mr Eduard Shevardnadze.

Four into one may go in the Windwards

Economic concerns hasten unity moves in eastern Caribbean, writes Canute James

A S FAR as Mr James Mitchell, the Prime Minister of St Vincent, is concerned, there are only two conditions which must be met if a proposed political union of his country and three neighbouring islands is to be

successful.
"We must have one flag at the United Nations, and we must talk with one voice, or no one will listen to us," the Prime Minister said. "Second, we must have one ministry of finance. If we do not have one voice and one treasury, we will not get any money. We can come up with any constitu-tional formula, but these are the two things I will insist

He was talking about a pro-posal for the creation of a single state made up of four islands of the Windwards group in the eastern Carib-bean - St Vincent, St Lucia, Dominica and Grenada.

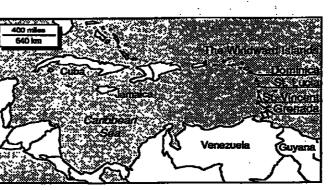
Common concerns over the fragility of their small economies are driving the govern-ments of the four to seek pub-lic endorsement for their

"It has been agreed that the four Windward Islands will go ahead with political union." anish with pointest timon, said Mr Vaughan Lewis, direc-tor general of the Organisation of Eastern Caribbean States. "They are aiming for referen-dums in early 1990."

The four islands, with three from the Leeward group, make up the OECS, a sub-group of the Caribbean Economic Com-

munity. "The referendum is the first step as there are repeated arguments that in previous efforts at political union the people were not asked," Mr Lewis said.

the people of the four islands to be told clearly that a deci-sion on political union has nothing to do with which government is elected. They must understand that they are being asked whether they want some form of political union." The islands have a history of co-operation on which they could build viable political



The leaders of the four from the Windward group decided to move ahead, leaving the door open for the others to join later. But the plans for the referendum next year may have to be delayed in some islands, such as Grenada, where an election is due between Decem-ber and March.

"What would be ideal," said one St Lucian official, "is for

union. The group shares, with the Leewards, the same high court and a common currency. on tourism, bananas and spices. The islands are gov-erned by parties and leaders whose politics tend towards the conservative. However, the opposition par-

Its financial affairs are admin istered by a common central bank and its economy is based

ties in the four islands are suspicious over the manner in which the idea of a political union is being pursued. The parties, which say they are not opposed to political union, are seeking guarantees that will commit the new union to ideological allocations. logical pluralism. Some are worried that the union could be used by incumbent parties to consolidate their control of

office.

The leaders of the four islands have argued that in addition to expanding the economic base, political union will also produce savings for national economies through joint efforts ranging from presional transportation to forregional transportation to for-eign diplomatic representation. "There is now agreement on ways to ease travel between the islands," reported Mr Lewis, "and work is being done on the unification of the police and the judiciary."

It is the likely economic benefit from the new state with a

It is the likely economic ben-efit from the new state, with a potential population of about 450,000, which is fuelling the effort. "The governments supporting the idea say it is viable and necessary for the islands' development," said Mr

"They say it will increase economies of scale: and increase the chances of eco-nomic growth. We cannot now organise for the scale of economic production which is

needed as the islands are too small. For example, if we are producing cut flowers for the EC and US markets, one island would soon exhaust its produc-

tive capacity."

The intention is to build on what are comparatively healthy economies of the islands – not only in the four in the Windwards, but in the three Leewards as well. The three Leewards as well. The Eastern Caribbean Central Bank, the monetary authority for the seven islands, reports that the group's economy grew last year by 5.5 per cent—about the same rate as in 1987—mainly through expansion in agriculture, tourism, manufacturing and construcmanufacturing and construc-

tion.
The islands' banana industry, the source of about two-thirds of British consumption, increased shipments last year by 42 per cent. Tourism grew by 6 per cent, bringing in gross earnings of \$365m, helping to offset a \$524m merchandise deficit.

But the first big test of the economic strength of the proposed union is not far off. When Europe unites after 1992, the Windwards and other Colliberations are such as Caribbean producers, such as Jamaica and Belize, will lose their protected banana market in Britain. The islands will then have to compete with fruit from other parts of the

It is the single largest cogeneration power project financing in history.

Two 300-megawatt Westinghouse power plants using natural gas-fired combustion and steam turbines in combined cycle will serve the regions surrounding Bellingham, Massachusetts, and Sayreville, New Jersey.

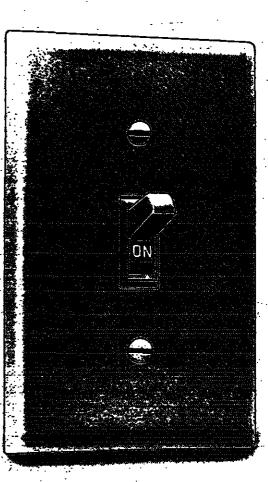
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Westinghouse



US to go into battle over EC rules of origin

month by the US Administration, Mrs Carla Hills, US Trade

Representative, said yesterday. The proposals will be designed to counter existing European Community rules of origin which the US Administration considers discrimina-tory, and will call for harmonisation as well as procedures to govern the use of rules of ori-

NEW PROPOSALS governing rules of origin will be put for ward to the General Agreement on Tariffs and Trade (Gatt) trade liberalisation negotiations in Geneva later this consumerations in Geneval later this consumerations were unactured with the community or lose sales.

Unsacturers of printers and type-writers, but which compelled writers, but which compelled writers, but which compelled writers, but which compelled unactures of printers and type-writers, but which compelled writers, but which compelled unacturers of printers and type-writers, but which compelled writers, told a writers, but which compelled unacturers of printers and type-writers, but which compelled unacturers of printers and t association Fondation du semiconductors in the Commu-futur that American semicon-ductor manufacturers were During her whistle-stop tour, 'American manufacturers are being

discriminated against by ambiguities in European Community rules of origin'

being discriminated against by ambiguities in European Community rules of origin.

which takes in London, Bonn, Berne, Geneva and Brussels, Mrs Hills will also be cam-

cast directive, which would require that at least 50 per cent of all TV programming should be of European origin.

Mrs Hills said the US would seek in the Uruguay Round of trade liberalising negotiations to secure a ban on local content requirements.

The US Trade Representative made clear that she would be protesting once again to the West German government against its policy of guaranteeing the West German end of the Airbus consortium against ation as well as procedures to the discrimination arose as povern the use of rules of origin.

The discrimination arose as paigning against European anti-dumping policy initially with the European Community's proposed television broad-ing the risks of exchange rate fluctuations. She described this policy as "absolutely wrong". the risks of exchange rate fluctuations. She described this



Hills: taking the offensive

Australian publishers campaign against 'open market'

By Chris Sherwell in Sydney

PUBLISHERS in Australia are expected to campaign strongly against a recommendation by the Prices Surveillance Author-ity (PSA) to declare Australia ity (PSA) to declare Australia an "open market" for books.

If accepted by the Canberra Government, the recommendation will bring Australia's notoriously high retail prices down by an estimated 30 per cent and put newly-published books.

shelves more speedily.

But apart from hurting book-sellers, margins, it would eat into foreign and local publishers' profits and perhaps impair

The proposal also has significant wider implications in the complex area of copyright, potentially affecting not only

The proposal has wider implications in the area of copyright

writers but also music publishers and software producers.

The agency's decision, which follows a three month investi-gation, is a direct response to complaints that Australians have to wait too long and pay too high a price for their books under the present "territorial"

Booksellers in Australia, a predominantly book importing country, currently have to buy books from the Australian agents or subsidiaries of for-eign publishers.

Because US and UK publishers have divided markets up so that Australia does not import from the US, that usually means UK publishers.

According to Professor Alan Fels, head of the PSA, the

existing arrangements are a "vestige of colonialism" which operate to the advantage of book exporting countries like

He believes direct competi-tion, in which UK and US edi-tions of the same title fight in an open market, would benefit the consumer and put Austra-lia in a similar position to Canada, where competition forces UK-published books below UK price levels.

But he also says Australian-authored books published in Australia should continue to be protected.

The agency's recommendations appear at odds with a recent review committee on copyright law, which favours the divisibility of copyright provided booksellers can

import titles when a publisher holding Australian rights can-not supply the titles within a

Mr Peter Carey, the Austra-lian winner of the Booker Prize, agrees that copyright, which is "all a writer has to sell," should be divisible.

"All that's wrong at the moment," he told a recent gathering, "is that the British publishers are getting away with treating Australia as part of their copyright territory. This is of no benefit to anyone but the British publishers who get Australia on the cheap and don't haveto take it seriously."

Cocom delay for Soviet phone deal

A MAJOR telecommunications contract under discussion between French telecommunications group Alacatel and the Soviet Union is being held up by Western restrictions on technology transfer to the East bloc, a spokesman for Alcatel's Belgian unit said yesterday, AP reports from Brussels.

The more than \$1bn deal would initially involve direct supply by the Belgtan com-pany, Alcatel Bell Telephone, of 250,000 digital telephone lines. In a second stage, Bell Telephone would join with the Soviet company Krasnaya
Zarya to assemble the
exchanges with a capacity of
up to 1.5m lines a year.
The spokesman, who
declined to be identified, said

that the contract could not be concluded yet because of curbs by the Co-ordinating Commit-tee on Multilateral Export Controls (Cocom) on technol-ogy transfer to the East bloc. Paris-based Cocom is a 17-

member western government organisation which controls exports of strategic technology

to Eastern Europe and China. "Cocom does not accept technology transfer for the moment," the Bell spokesman said. He added that Alcatel was "continuing to negotiate in order to be 100 per cent ready when Cocom agrees to the technology transfer."

Japan launches review of trade practice law

By Robert Thomson in Tokyo

the launch of a broad review of the country's business practice laws, including regulations relating to the much-criticised distribution system and to the corporate cross-holdings identified by US officials as trade barriers.

The commission, which will invite submissions from for-eigners during open hearings, expects that the review will be completed in the first half of next year, and hopes new laws will reduce complaints from foreign companies about the mysterious workings of Japanese trade practice law. Mr Jotaro Yabe, director of

the commission's general affairs office, said Japan wanted its laws to be more in harmony with international laws because "the Japanese market is such a big market", and because "Japanese compa nies are very active in foreign countries" and some are con-fused by the differences in

trade practice legislation.

JAPAN'S Fair Trade because very little case law has Commission has announced accumulated. In the 36 years of the present definition of unfair trade practices, only one con-viction has been recorded. against a Japanese oil cartel a

decade ago.

Four of the six complaints raised by the US at last week's Structural Impediments Initia tive (SII) talks on trade fall within the jurisdiction of the commission, which will look at laws on bid-rigging on public works projects. However, Japa-nese negotiators at the talks said that US criticisms of the mild action taken against trade practice offenders did not take into account the impact of being an outcast in Japan's

corporate culture.

• A group of eight Japanese contractors have accepted a Fair Trade Commission order to disband a cartel involving the supply of earth and sand for a new international airport

in Osaka Bay.
The commission said six companies had conspired to pre-set the amounts and prices The Fair Trade Commission admits that present, awkwardly worded laws have remained obscure to outsiders for the airport. The six companies were ordered to pay surcharges totalling Y320m (\$2.15m).

Volvo agrees car deal with South Korea By Kevin Done, Motor Industry Correspondent, in Frankfurt VOLVO, the Swedish car and truck maker, is aiming to complete negotiations with Ssangyong, one of the leading South Korean industrial

groups, by the end of the year for the production in Korea of a car based on Volvo technola car based on volvo technology.

According to Mr Roger Holtback, the president and chief executive officer of Volvo Car, the Swedish group's car-making subsidiary, Volvo has signed a letter of intent with Ssangyong, and the Korean group has filed an application with the Korean authorities to

with the Korean authorities to start production. In an interview in European Motor Business, published by the Economist Intelligence Unit, Mr Holtback says that "the first step will be to develop a Ssangyong car, built with Volvo technology and derived very much from the

and transmission." The car would be produced for the South Korean market. Mr Holtback said that Volvo was aiming at much more than a simple transfer of technol-

ogy.
"South Korea is important and we think that we should build up general and industrial and technological links in the region . . . it is very important that we do not only trans-fer technology," he said. In a second phase, which would be more of the nature of a joint venture, Volvo is planning to purchase a larger vol-

ume of components.
"For the total production of Volvo cars we think that South Korea could become a good source for Volvo in association with Ssangyong.
"On a long term basis we can have different visions and

it might be so that Volvo, together with Ssangyong, can produce Volvo cars in South Korea in the early part of the next century. He said it was too early to

comment on whether Volvo would take an equity stake in Ssangyong.

Volvo is seeking to rapidly increase its market share and sales in the Far East. It is aim ing for sales of around 25,000 cars a year in Japan by the year 1995, compared with sales of 6,500 this year.

per cent of its total volume or 40,000 cars a year in total in Asia by the mid-1990s. Volvo's main car assembly plants are in Sweden and in

Belgium, while it holds a 30 per cent equity stake in Volvo Car BV in the Netherlands, which produces the smaller Volvo models, the 300 and 400 series.

A small volume of its top of the resume 750 per also accounts. the range 780 are also assembled by Bertone in Italy, and it has a limited car assembly operation in Canada.

Hong Kong watch export network for growth slows

By John Elliott in Hong Kong

THE GROWTH of Hong Kong's highly successful exports of domestically produced watches and clocks slowed dramatically in the first half of this year because of a slump in world-wide demand.

Between January and June, watch and clock exports rose by only 2 per cent over the same period last year com-pared with growth of 24 per cent in the whole of 1988. But there has been contin-

ned rapid growth of more than 90 per cent of re-exports of watches and clocks produced in China which is being increasingly used by Hong Kong industries because of its available sources of cheap

labour and factory premises.
Statistics released yesterday
by the Hong Kong Trade
Development Council to mark the opening of Hong Kong's annual watch and clock fair show that exports of domestically produced watches and clocks totalled HK\$16.6bn (£1.4bn) in the whole of last year and HK\$7.38bn in the first half of this year.

Re-exports of watches and clocks produced in various countries, including China, rose by 50 per cent last year to

Hong Kong is the world's largest exporter of complete watches and clocks in quantity terms and the second largest exporter of watches alone in value terms after Switzerland and before Japan.

The trade council said the decline in export growth has been largely caused by inven-tory accumulation in major markets and that international price competition has forced down profit margins and added urgency to Hong Kong's attempts to move up-market.

Danes start small firms

By Hilary Barnes and Xueling Lin in Copenhagen

AN UNUSUAL "network" scheme started by the Danish Industry Ministry may be the solution for the small compa-nies of smaller EC countries in their fight to remain competitive against larger rivals.
The Danish companies have

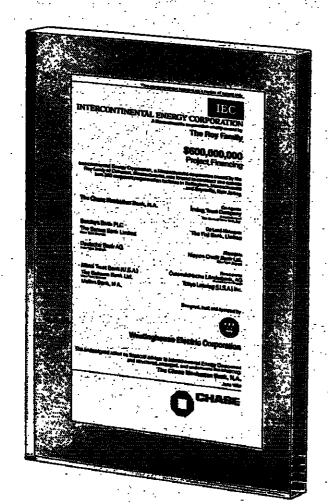
been encouraged to form them-selves into groups which will collectively market and launch new products, do research and share technological developments – all with the support of a fund started by the ministry. The scheme envisages the companies creating a co-opera-tion which goes further than a

joint venture although stop-ping short of a merger. The creation of networks within Danish industry, which is characterised by numerous small companies, appears to be the Danish answer to 1992 and the large companies in other

EC countries. The scheme works on two fronts; financial support which acts as the initial incentive for small companies to get together and in the longer run to get the companies used to the idea of working together," explained Mr Kurt Steen Jacobsen, department head of the Industry and Trade Board

which administers the fund.

The Board has trained 40 "network agents" who will pro-mote the new idea. Two pilot networks have been started involving 18 companies; 11 textile and clothing companies under the name of CD Line and seven furniture producers under the name Alfa Betica Group. The clothing companies intend to launch a top-to-toe line of executive wear while the furniture group will market a range of up-market office furniture in West Germany,



The largest single U.S. financing in the independent power and cogeneration field was an excellent opportunity for Chase to bring our considerable skills in project finance and syndication to bear on a massive and complex project.

During the past six months, our team of project finance specialists spent countless hours with Intercontinental Energy Corporation, Westinghouse, four utility companies and over ten other companies so that Chase could structure a \$600,000,000 financing that would be acceptable to the financial community.

It will fund the construction of two virtually identical 300 megawatt power plants in Bellingham, MA and Sayreville, NJ.

Together, these projects will bring reliable, economical sources of energy to thousands of private citizens.

And to the knowledgeable players in the energy industry, we believe these projects demonstrate our financing capabilities, commitment to leadership, innovation, and our ability to turn powerful ideas into tangible results.



If there's one seat at British Satellite Broadcasting that's hotter than all the others, John Gau is sitting in it.

Who, after all, could be more fundamental to a new TV station aiming to get five channels off the ground, than its Director of Programmes?

John Gau has, it's true to say, something of a reputation for being at the leading edge - and encouraging others to hang in there with him.

During his 17 years at the BBC, John edited Nationwide, conceived Newsnight and Question Time and became Head of Current Affairs.

More recently, he headed John Gau Productions, one of Britain's most successful independent production companies.

He's a past Chairman of the Independent Programme Producers' Association.

And his three-year term as Chairman of the Royal Television Society ended only this year.

When it was announced that he was joining us at BSB, more than one journalist asked why.

He replied that he saw BSB, with its five themed

channels, as complementary to the existing terrestrial services. "I couldn't," he added, "resist being in at the start of this exciting new phase in the development of British broadcasting."

John's enthusiasm hasn't dimmed over the past two years, during which time we've researched viewers' dislikes and desires upside-down and sideways.

What we've learnt so far has influenced our thinking across all five BSB channels.

We found out that what viewers want from BSB's. Sports Channel is British sport aired in peak time.

So, for starters, we bought rights to English and Scottish FA Cup and Scottish League matches and we'll show them in the evening, live.

We found out that to be home box-office hits, films shown on BSB's Movie Channel need to be recent and not viewable elsewhere on television.

So we bought the exclusive TV rights to enough movies to screen over 100 a month, and made sure over 20 a month will be 'first-run'.

We found out that women view TV in short, sharp

bursts in the morning; at their leisure in the afternoons.

So BSB's Now Channel is structured to show interesting, informative snippets before lunch; relaxed, magazine-style programmes after lunch.

We found out just what teenagers want from their own channel.

So BSB's Power Station will air the required mix of pop and rock music, have vj links, features and live concerts.

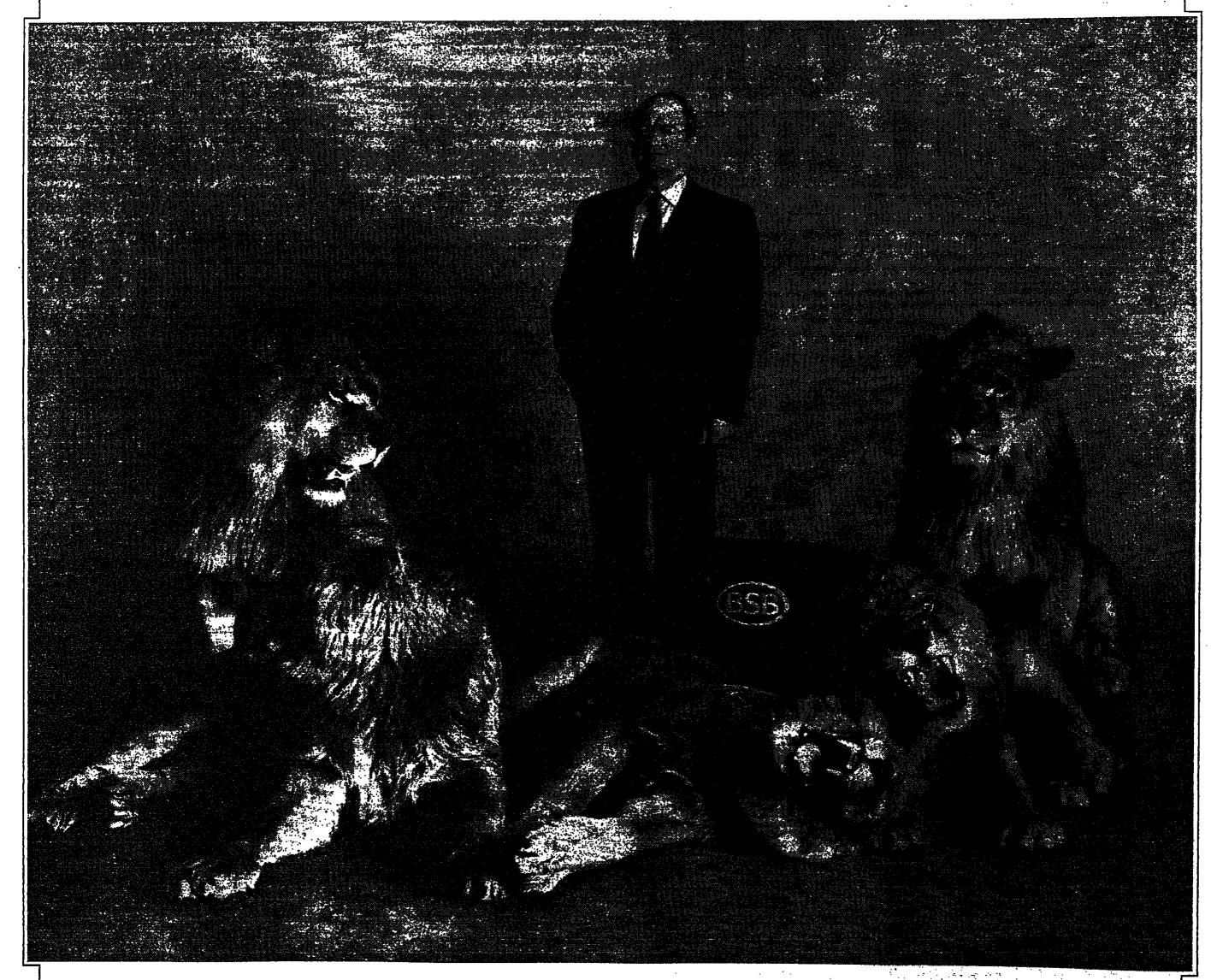
We found out (surprise, surprise) that a lot of people are interested in soaps, game shows, drama and classic British comedy.

So that's what BSB's Galaxy Channel will major on.

At BSB we're not guessing, we're asking. And we'll
go on doing so up to and beyond next Spring when we
go on air.

Because, when you're launching a TV station that will broadcast more hours than BBC1, BBC2, ITV and Channel 4 put together, you can't really afford to get it wrong.

However fearless you may be.



When it comes to putting his reputation on the line, our Director of Programmes knows no fear.

BRITISH SATELLITE BROADCASTING. SATELLITE IN ORBIT. PROGRAMMES START IN SPRING ON ALL FIVE CHANNELS.

For more information, call 0800 800 200 free or write to British Satellite Broadcasting Ltd, PO Box 1122, Marcopolo Building, Chelsea Bridge, Queenstown Road, London SW8 4NJ.

Verdict goes against bank in key case on equal pay

AN INDUSTRIAL TRIBUNAL yesterday that the ruling was a were paid a competitive salary. ruled yesterday that seven warning to employers to female clerical workers at review their pay structures. Lloyds Bank are entitled to equal pay with a higher paid male messenger in a case that has implications for the paybills of companies throughout Britain.

14175 305 Mg

The tribunal's decision is thought to be the first in Britain to find in favour of a group of white collar staff who claim to be doing work of equal value to blue collar

vorkers. the weaker collective bargain.
It could prompt a flood of ing power in such occupademands for higher pay from hundreds of thousands of staff working for other employers. The Equal Opportunities Commission, which backed the had always considered itself an seven secretaries and typists in equal opportunities employer their fight for equal pay, said and believed its secretaries

Chancellor:

defends his

EMS plan

By Simon Holberton, ... Economics Staff

In its unanimous ruling the London tribunal said the bargaining processes which led to the difference differences in pay was "tainted by direct sex discrimination." It added that the inequality in earnings between sexes in companies throughout Britain "derives partly from the under-valua-tion of work in predominantly

Lloyds, which employs more than 5,000 secretaries, is con-sidering an appeal. It said it

female occupations and from

The company had previously abandoned its original argument that the women's jobs were not of equal value to that of the messenger. It said, how-ever, that the pay gap was jus-tifiable because it arose from the separate collective bargaining arrangements which existed for clerical staff and

Yesterday's decision is the most significant ruling on the issue since five Law Lords ruled in May 1988 that Ms Julie Hayward, a shipyard cook, was entitled to pay parity with male workers. That case was significant because it estab-lished a precedent that additional benefits other than pay should not be taken taken into

Voluntary queueing system set up for London share issues

By Richard Waters

the Stock Exchange and the

British Merchant Banking and

MR NIGEL LAWSON, the UK Chancellor of the Exchequer yesterday defended his ideas up a voluntary queuing system for new issues of shares and other sterling securities to replace the compulsory one abolished in this year's Budget.

This follows calls from issuence to repeat the compulsory one abolished in this year's Budget. for modifying proposals for European economic and monetary union and denied that they were forced upon him by Mrs Margaret Thatcher, the Prime Minister.
His proposal, which was given a cold reception at ing houses for new arrangements to ensure that two or more share issues do not clash. Such overlap creates disorder Antibes, did not relate to retail

transactions, such as foreigners paying for a pub lunches in in the market and makes it difficult for underwriters to give proper attention to each issue before them, it is claimed. French francs or D-Marks, he said. Instead it referred to ending restrictions on savings and promoting the free use of what-The old queue, policed by the Bank of England, was required under the Control of ever European currency a bosiness wishes in its activities. The Chancellor's idea was presented as an alternative to Borrowing Order. Its abolition has left a free-for-all although the Stock Exchange could not point yesterday to any examples of congestion in the mar-ket.

stages two and three of the Delors report on economic and monetary union which chart moves towards the creation of a European central bank, a common currency, and EC oversight of national budgets. However, he said there was a

growing awareness in Europe that the Delors plan would restrict the freedom of Governments and was undemocratic.

THE CITY of London has set up a voluntary queuing system for new issues of shares and ger of information leaking out.

Under the new system, the sponsor of an issue worth over \$20m would tell the Bank about the deal. A second firm planning an issue at the same time would be told of the overlap: if it refused to choose another date, the first firm would be contacted. If neither backed down, the Bank would in some cases put the two firms in contact with each other to sort the matter out. The arrangement will not be compulsory. However, both the they would "expect" their members to comply.

THE Independent newspa-

per is seeking to persuade the Stock Exchange that it should The new arrangements will also be overseen by the Bank of England, which has become involved at the invitation of be allowed to restrict any one shareholder to 15 per cent or less after its planned flotation next year. Mr Andreas Whit-tam Smith, editor, said yesterday there were precedents for such a restriction.

Securities Houses Association. The BMBA, which represents Euro-houses face legal quanmost issuing houses, said that

Top fund managers plan new association

By Richard Waters

The UK's most powerful fund managers are planning a new trade association which would cut across the divisions which currently exist in the business.

The new body will be open to all those who manage funds on behalf of others, regardless of whether they are part of investment banks, insurance or other hodies. companies or other bodies, said Mr Robin Hutton of the British Merchant Banking and Securities Houses Association.

Although the BMBA was involved in the original planning, the association, to be known as the Institutional Fund Managers Association, will operate independently. Currently the BMBA, the Association of British Insurers and the National Association

of Pension Funds all represent different sections of the indus-try through their investment committees. The steering com-mittee for the association includes Prudential, Robert Fleming and Mercury Asset

'Significant' rise in pay settlements

By Charles Leadbeater, Labour Editor

UK PAY settlements have risen significantly during the last year from the 6 per cent level which prevailed in 1987-88, according to a survey published today.

published today.

The survey by the Labour Research Department, the British trade union funded research group, covered 567 agreements in the private and public sectors which set the pay of nearly 11m workers.

The report says the rise in inflation from 5.7 per cent in inflation from 5.7 per cent in August 1988 to 8.2 per cent this July is likely to feed pres-

sure for higher settlements in the coming year.

It says that "As the bargaining round ended, negotiations were taking place in a totally different atmosphere than at the start. This will spill over the start of the start of the start. into the start of the new bargaining year this autumn."

Democrats back European charter

By Our Political Staff

THE PROPOSED European social charter to protect workers' rights yesterday received overwhelming backing from representatives at the Liberal and Social Democrats conference at Brighton.

They also strongly criticised much of the British Government's employment and trade union legislation. Mr Jim Wallace, MP for Ork-

ney and Shetland and the Democrats' employment spokes-man, said that Britain could lose some of its best employees who would go to work in other

Community countries unless

meaningful to ordinary people as well as businessmen, he said. The Government's approach to the social charter was negative and concerned with only a narrow range of people. This was reflected in its most recent employment and trade union legislation which reduced rights at the

they were given equivalent

rights and protection at work.
The single market had to be

workplace at a time when they should be extended. Ms Margareta Holmstedt (Calderdale) said the results of the last elections to the Euro-

there was strong public support for the social measures proposed in the charter.

The rights of British trade unionists had always lagged behind those in other European countries. The EC provided the only

defence against Thatcherism and the social charter would provide these rights. She fore-cast that the Government could not win its fight against the charter. There were only two other Conservative governments in Europe - in Greece and Denmark and the legisla-

pean Parliament showed that tion could be passed by major

ity vote. Representatives overwhelmingly passed a motion welcoming the single European mar-ket and supporting the social charter to protect the right to organise, take strike action, have collective bargaining and participate in setting employ-

ment conditions. **EXPENDITURE** on the National Health Service should be increased immediately by £2bn, according to Mr Ronald Fearn, MP for Southport, and health spokesman for the Social and Liberal Democrats.

Labour Party membership falls sharply

MEMBERSHIP in the membership fell by nearly 8 opposition Labour Party last year fell sharply, presenting an even greater challenge to the leadership's ambitious plans to register one million members before the next general elec-

A report prepared by Labour's national executive committee, to be put to delegates at next month's annual conference, shows that party

paign which was launched in January by Mr Neil Kinnock, the Labour leader, has so far this year attracted 25,000 new members, offsetting the 1988 per cent last year to just under 266,000. The fall was the biggest since 1981 and reflected the decline in trade union member-ship and the party's low stand-

ing in the country following its general election defeat the previous year. Party sources were empha-sising yesterday, however, that the national recruiting cam-

drop in membership.
Since the beginning of the

year, people have been able to join the party at local branches, through trade unions at half-price subscription rates and by applying directly to regional offices or

national headquarters.

Recruitment is expected to receive a boost if the Brighton conference is a success, although party officials do not now expect the year-end total to finish much above the A decade ago, Labour boasted a membership of over 650,000. Mr Kinnock forecast that party membership would rise to around 600,000 by next spring.

rity force documents to target Mr Laughlin Maginn, a Roman

Catholic shot dead in August.

demanded an independent inquiry into the matter and Mr

Gerry Collins, the Republic's

Foreign Affairs Minister, said the issue of security force links

would top this week's agenda.

The Irish government will also be raising the case of Cameron Hastie, a Scottish sol-

dier allowed to remain in the British army after being con-

victed of supplying informa-tion likely to be of use to ter-

Nationalist politicians have

Air Europe applies for transatlantic licences

By Paul Betts in Paris

AIR EUROPE, the British airline owned by Mr Harry Goodman's International Leisure Group, is stepping up competition in transatlantic air travel by applying for licences

to operate its first scheduled long-distance services.

The airline announced yes-terday that it had applied to the Civil Aviation Authority for licences to fly from regional airports at Gatwick, Manchester and Glasgow to destina-tions in Canada, the US, Mexico, Nassan, Bermuda and New Zealand. The issuing of the licences could signal the beginning of a new fares war on busy transatlantic routes.

Air Europe's move is expec-ted to be followed soon by other independent airlines. British Midland is expected to disclose today a new joint venture involving transatlantic services with SAS, the Scandinavian airline which owns 24.9 per cent of the British airline, and possibly a third party.

These moves coincide with a spate of cross-shareholding and co-operation agreements between major European air-lines and US partners designed to secure a greater share of transatlantic traffic.

Airline industry analysts said Air Europe, which had successfully expanded its European scheduled airline services during the last two years, had been widely expanded to make been widely expected to make a move on long distance flights, with its new Boeing 757 extended range aircraft and the McDonneil Douglas MD11 due to be delivered in late 1990. Mr Goodman yesterday sig-nalled a possible fare-cutting

long distance routes.

offensive. However, some industry analysts suggested Mr Goodman was taking a major risk by taking on the major airlines on some of their key claims by the Ulster Freedom

Dublin to press Britain over intelligence leaks

By Our Belfast Correspondent

SECURITY matters will terror group, that it used secudominate a meeting of the Anglo Irish Intergovernmental Conference scheduled for Dublin on Friday.

Irish ministers will press their British counterparts to explain what action is being taken to stem the alleged flow of intelligence information to Loyalist para-military organi-The Royal Ulster Constabu-

lary said yesterday a senior officer had been appointed to investigate the disappearance of a file on Irish Republican Army suspects from an Ulster Defence Regiment base at Bailykinlar, County Down.

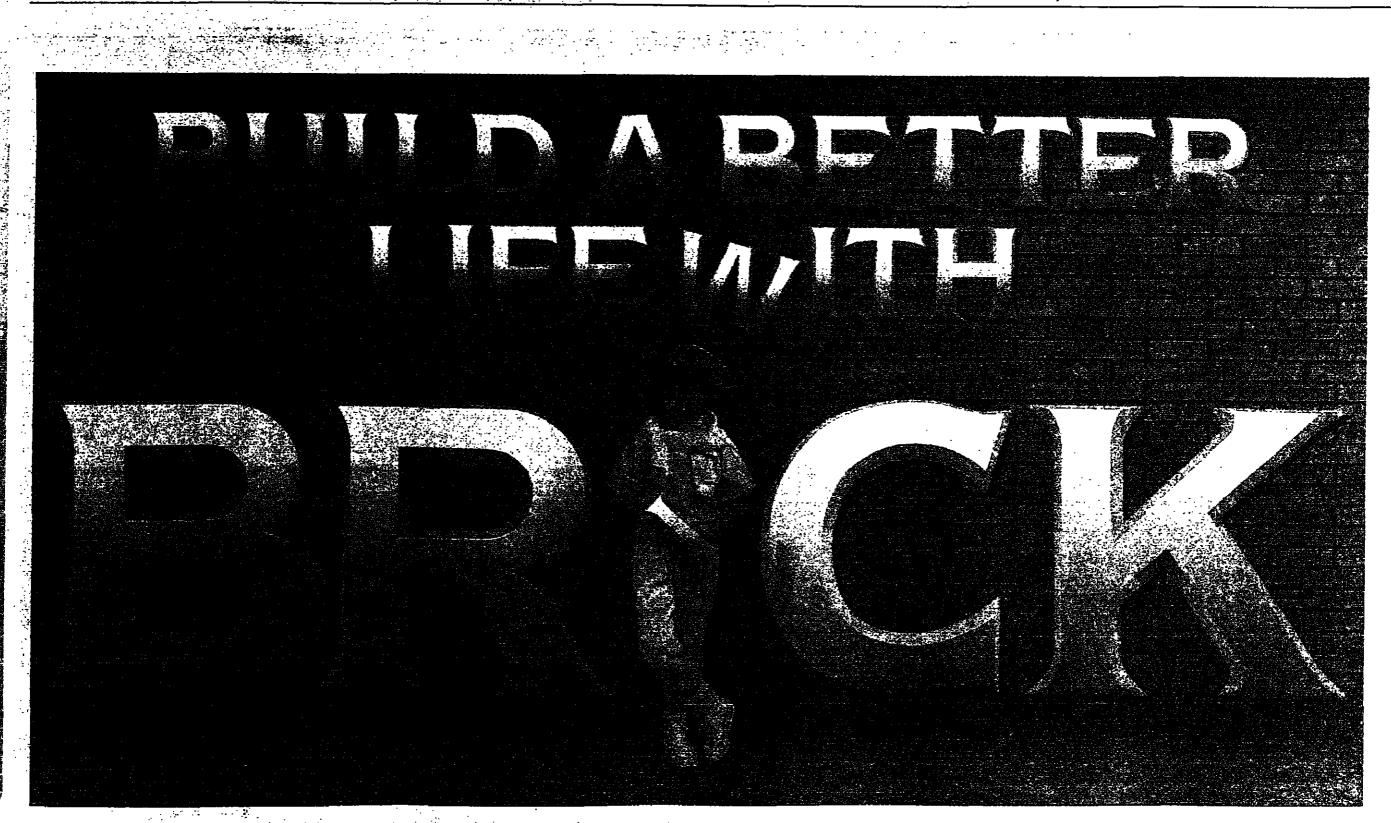
Mr John Cope, Northern Ireland Security Minister, said yesterday the Ballykinlar incident was very damaging to the security effort.

Fighters, an outlawed Loyalist

The use of plastic bullets in Northern Ireland following the death of a 15-year-old schoolboy last month is also expected

rorists.

to be on the agenda. Mr Peter Brooke, Northern The disclosure follows Ireland Secretary, will be attending his first meeting as co-chairman of the conference.



BRICK KEEPS BRITAIN BEAUTIFUL

Figures reflect impact of Britain's warm summer

High interest rates keep UK sales in the doldrums

By Peter Norman, Economics Correspondent

HIGH interest rates and were down 1 per cent comexceptionally warm summer weather kept Britain's retail trade firmly in the doldrums last month, according to official figures yesterday.

The Central Statistical Office said its provisional estimate of retail sales volume showed a seasonally adjusted increase of only 0.4 per cent in August compared with July and a 0.9 per cent gain compared with August last year.

August's modest pick-up in sales after a fall of around 0.5 per cent between June and July was foreshadowed in last week's Confederation of British Industry/Financial Times distributive trades survey. Yesterday's increase was fractionally below the consensus expectations of City analysts, however. Retail sales in the three months to the end of August

First joint

venture in

Gibraltar

opened

By David Barchard

THE FIRST ever joint venture

in Gibraltar by a British and a Spanish bank was officially

opened yesterday by Royal Bank of Scotland and Banco

Santander Group. The two banks, which a year

ago announced an alliance in

Ruropean markets, have each

contributed half the £5m capi-

tal of the Royal Bank of Scot-

land (Gibraltar) and will specialise in offshore and expatriate banking services.

'As far as we can discover,

this is not just a banking

event. It seems to be one of the

first joint ventures of any sort

between British and Spanish companies in Gibraltar." said

Mr Alwyn James, spokesman for RBS. Don Emilio Botin,

chairman of Banco Santander,

and Sir Michael Herries, chair-

man of RBS, presided over the

pared with the previous three months. That was the first such fall since March 1984 Sales in the latest three months were 1.1 per cent higher than in the same period of 1988, the lowest rate of increase since June 1982.

Government statisticians said that sales of household goods were particularly depressed in August, reflecting stagnation in the housing mar-

Yesterday's news, providing further proof that the Govern-ment's counter inflation strategy is successfuly curbing con-sumer demand, had little impact on financial markets. It was accompanied by other official figures which showed an unexpected 0.3 per cent drop in manufacturers' input prices for fuel and raw mate-

rial prices last month and

industry's factory gate prices running at an unchanged 4.8 per cent annual rate.

The seasonally adjusted index of retail sales volumes stood at a provisional 121.5 in August (1985 = 100) after 121 in July.

•d3 Inflationary pressures in manufacturing appear mod-erate with official figures yesterday showing an unchanged monthly rise in prices in August which left factory gate prices 4.8 per cent above their level of a year ago, writes Simon Holberton.

The Central Statistical Office said that its index of home sales rose a provisional 0.3 per cent last month, the same monthly rise as in June and July. Excluding the food, drink and tobacco industries, factory gate prices rose 0.3 per cent to stand 5.4 per cent above their level in August last year.

Sell-off campaign to 'cost taxpayer £2bn'

By Michael Cassell, Political Correspondent

THE opposition Labour Party claimed yesterday that the taxpayer faced a total bill of more than £2bn in expenses incurred as part of the government's continuing privatisation pro-

Mr Gordon Brown, the party's treasury spokesman, claimed that the cost, which included advertising and fees to City of London advisers, was equivalent to estimates for the backlog of capital repairs required within the national health service or to 1p on

Labour claims that the total privatisation bill for promotion and City fees up to this year was just over £1bn but says the figure will double by the time water, electricity and the remainder of British Telecom have been sold off. Water and electricity alone are expected to involve more than £100m in

advertising charges.

Mr Brown said the £2bn calculation, based on a study of

National Audit Office figures for flotations carried out so far. was the first assessment of the cash being paid out by the Government to advertising agencies, banks, underwiters and stockbrokers.

He added: Privatisation has become the ad man's dream and the city's biggest pay day. While the biggest privisation beneficiaries are in the city and in ad agencies, the losers are taxpayers who have been subsidising some of our richest advertising agencies and city institutions"

Labour intends to maintain its campaign of criticism aimed at high levels of government spending on what it sees as party propaganda, rather than public information. It is seeking an investigation by the Commons Public Accounts Committee and has also erred the issue to the Independent Brodacsting Authority.

In Brief

First £100 interbank cheque card launched

THE FIRST £100 cheque guarantee card to operate within Apacs, the interbank clearing system, was launched by the Trustee Savings Bank

yesterday.
The £100 guarantee is carried on TSB's Visa debit card, which carries the brand name "Bankcard" and will be avail-able to the bank's 4m current

account customers.

Apart from cheque guarantee, the card can also be used for cash machine withdrawals, and debit card payments through the Visa system.

Footwear struggles

THE beleaguered UK footwear industry is struggling against a continuing increase in imports and a sharp downturn in orders as it enters the autumn trading period. The latest statistics from the British Foot-wear Manufacturers Federation show that the condition of the industry, concentrated in the east Midlands and the north-west, deteriorated signifi-cantly in the first half of 1989.

Renters man dies

SIR Christopher Chancellor, journalist, editorial manager and businessman who died at the weekend aged 85 played a key role in the development of Reuters, the international news agency. Sir Christopher, whose father Sir John Chancellor was a distinguished colo-nial administrator, was a central figure in strengthening the financial base of the news agency by selling the service more widely round the world while at the same time underpinning its independence from the British government.

Wine sales up

BRITAIN'S wine drinkers are forecast to consume a record 1bn bottles this year according to figures published by the Wine and Spirit Association. Sales are up by almost 6 per cent on last year with the sunny summer causing an increase in demand for sparkling wines and lower alcohol wine drinks such as spritzers.

Soccer business at United

Paul Cheeseright looks at a new force in British football

ichael Knighton sees himself as one of a new breed of British football club owner. Scholar at the Tottenham Hotspur club, Murray at Glasgow Rangers, Mercer at Heart of Midlothian, Duff at Hibernian and now Knighton at Manchester United

They have in common the belief that football is a business not a toy; that they are in the sporting industry. "We are investing in the industry which has major pulling power that has not been exploited," Mr Knighton said.

His target is to make Manchester United, still one of the most locally followed British

most loyally followed British football clubs, a £150m (\$231m) business in 15 years. He has a long way to travel. Turnover in the year to July 1988, the last for which figures are available, was £7.58m; the pretax loss was

Buying a football club is at best an unorthodox transaction. In its last accounts Manchester United had net assets of £4.19m, but its most valuable resources - footballers - not on the balance sheet.

The players, Mr Knighton supposes are worth anything between £12m and £20m. Such vagueness is not surprising. It is difficult to value a delicate piece of sporting machinery like Neil Webb, who cost £1.5m but cannot play for six months

because of injury.

Mr Knighton will not say how he concluded that Manchester United is worth £20.1m, the value of his £20 a share offer in September. The offer was accepted by Mr Martin Edwards, the outgoing chairman who remains as chief executive, and owned just over half the equity. An offer docu-ment goes out to other share-holders in the next three



Manchester United chairman Knighton greets the fans. Last year the club spent £2.35m on new stars while in 1988-89 it paid £2.95m more on players than it received.

But Mr Knighton hurdles the question of immediate football club values. "We are buying potential", he said. "Manches-ter United is established commercially. We have the funds available and expertise avail-able to take it further."

The "we" are Mr Knighton himself, Mr Bob Thornton and Mr Stanley Cohen and their corporate vehicle, to take over Manchester United called MK Trafford. Shareholdings in MK Trafford have not been finally settled but Mr Knighton is adamant that his holding will

never drop below 50 per cent: "I will always be the over-whelming senior shareholder." Mr Knighton knows Mr Thornton because they are

neighbours in Ayrshire. Mr Thornton, once chief of Debenhams department store, knows Mr Cohen, self-styled company doctor, because they work together, most recently at the Cohen-dominated company, **Betterware Consumer Products** where Mr Thornton is chair-

The youngest and least known of the trio is Mr Knigh-

ton. "I'm not a City figure", he conceded. But questions about his personal wealth are met brusquely: "I've no idea how much I'm worth," followed by

much I'm worth." followed by admission of being "moderately wealthy".

His money is in property. "I've simply been investing very quietly in very desirable, very rare buildings with architectural modiff." Co. ht. hachitectural modiff." Co. ht. hachitectural modiff." very rare buildings with architectural merit." So he has a
period property portfolio, some
of which is used for business
purposes and some for residential. And there is a 35 acres

farm on the Isle of Man.
Some of this wealth is now
being siphoned off into Manchester United. But to what extent the shareholders of MK Trafford are going to use their own money to give the club a capital injection is not clear. The new owners are already committed to the replacement of part of the football stadium - the Stretford End stand - and that will cost between £5m and £15m depending on the design chosen. They also have an urgent need to expand the commercial activities of the club to fill the financial gap which opens up every time Manchester United enters the

players' transfer market.
This involves aggressive merchandising of the club name and expansion of the sponsorship arrangements with Sharp, the Japanese electronics group, and Adidas, the sports good manufacture.

But failure cannot be mer-

chandised. Manchester United needs success on the field it has lacked of late. Till brighter playing days arrive the com-mercial plans which would bear fruit if the club became part of some future European Super League are likely to languish, like the team now bumping along near the bot-tom of England's fourth divi-

London boom expected

By David Churchill, Leisure Industries Correspondent

urging leading property developers to build more hotels in the London area to meet the potential increase in demand for tourists to the capital over

the next decade. The Board has written to the developers giving details of over 60 potential hotel sites on and suitable for conversion.

THE London Tourist Board is the edge of London which would be suitable.

Some of these sites already have outline planning permission for hotels, the Board said yesterday, or will be looked on favourably by the local authorify. Others are existing buildings set in extensive grounds

SW England threatened

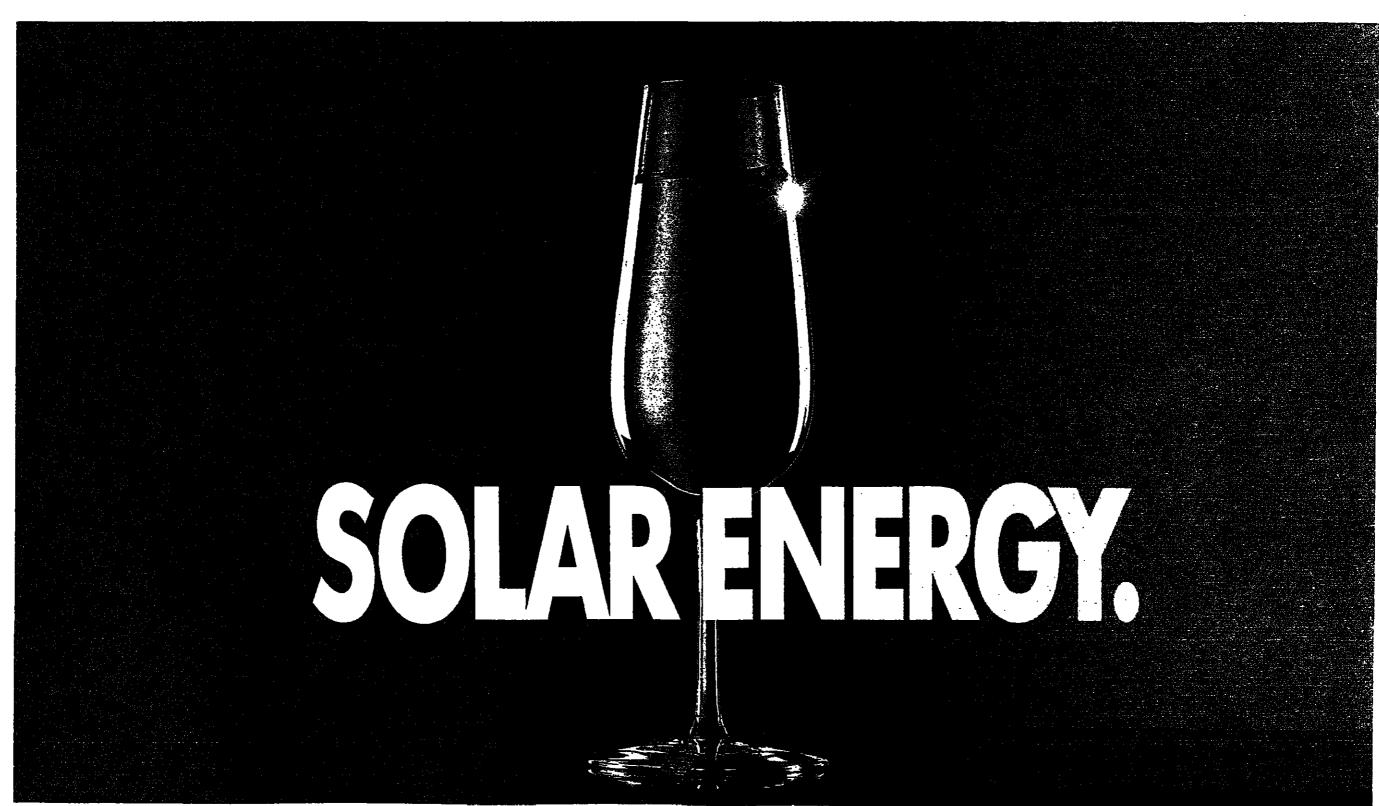
By Hazel Duffy

the south-west of England is threatened unless the system of roads internally and their connections with other regions are improved, said a working party of the Confederation of British Industry, the employ-

The future competitiveness of the 1990s, the South West's needs", warned that business will decline unless the situation is corrected. Cornwall has no motorway, and the report said existing main roads are already "inadequate".

The Department of Transport is thought to be considerers' organisation.

The report, "Prosperity for ing how to improve road links.





Have a little pick me up before you get

back to work.

Iberia's Business Class always welcomes you with a glass of sherry. A taste of Spanish

sunshine to whet your appetite for the delicious meal ahead. And afterwards relax and take advantage of our unique. multi-lingual, on-board library.

Efficient and professional but warm and hospitable. That's how we think business should be.

British Gas's success in Britain probably has not escaped your notice.

Particularly if you happen to be a shareholder.

But our activities are not limited to these shores. Technology export and international consultancy, exploration and production are already helping to build a global reputation for British Gas.

Our aim now is to match our domestic success with worldwide growth.

Can You Benefit From Nomura's Global Capabilities?

Nomura offers a full range of financial services and innovative products throughout the world.

Our global presence is illustrated by earning the number one position in the Eurobond League Table, and our lead role in underwriting activities for non-Japanese issuers.

Our established global network can provide you a full range of financial services and new products such as swap options, oillinked Eurobonds, collateralised mortgage obligations (CMOs), the securitisation of real estate, arbitrage activities and private placements. This global network reflects two key elements, — our philosophy of localising our global operations by thoroughly understanding the markets we operarate in, and responding in an innovative way to the needs of investors in each of those markets. The result is a truly global network you can benefit from.

Nomura has very good placing power." — The Bank of Italy

The Italian government successfully raised US\$2 billion, only days after the global stock market crash in 1987. Nomura was selected to lead manage two issues of ¥ 150 billion each in the Euromarkets in the face of strong competition. Nomura had already been observed carefully by the Bank of Italy and admired for its commitment to both clients and the market. 'Nomura has very good placing power. They are very strong in Japan, which is important because there is so much financial power there," a bank

We chose Nomura because they offered the best terms." -European Investment Bank(EIB)

The Principal Advisor at the European Investment Bank(EIB), Mr Jean-Claude Bresson, said that EIB chose Nomura to lead manage an ECU Eurobond issue because they offered the best terms and because of Nomura's strength. We have done deals with Nomura in yen, US dollars and other currencies, and we've known them for 17 years." Mr Bresson added. He stated that the best possible placement, and a strong smooth secondary market were also of great importance for their successful

"Before choosing Nomura we looked at all the relevant aspects; size and leadership." — Oesterreichische Kontrollbank (OKB)

OKB wanted to raise US\$ 200 million in the Samural market last year, it thought long and hard, examining all the aspects before choosing Nomura. Dr. Johannes Attems, a senior director of OKB, attributes Nomura's success in the Euromarkets to a riumber of factors. "They have been able to attract bright and intelligent people to implement, their policies into a successful strategy of approaching borrowers with ingenious con-cepts," Dr Atterns said

Nomura came out first largely because they have considerably more experience."

The privatization of the British Steel Cor-The privatization of the british sides Corporation was largely in the Hands'of Jim Whitfield, project director for the US\$46 billion floatation last year and a member of the government judging panel that selected fromura to lead mariage the Japanese tranche of the offering. In the beauty contest we saw the major Japanese houses. Nomura came out first, because they have considerably more experience in privatiza-tion floatations in Japan. There is a great advantage in having a company that knows

Nomura's Underwriting Activities for Non-Japanese Issuers

Euroyen Bonds New Zealand (¥10 billion) New Zealand (V10 billion) SAFA (¥7 billion) SITCO (015 billion) NAB (¥10 bil State Bank of South Australia (05=10 billion) SBNSW (¥20 billion) New Zealand (¥20 billion) reland (¥30 billion) EDF (¥30 billion) Gueden (YSO hillion) Christiania Bank og Kredidesse (¥1 billion) Christiania Bank og Kredidesse (¥1 billion) KOP (Euro Dual Currency Bonds ¥10 billion) Christiania Bank og Kredidesse (¥4 billion) Bergen Bank A/S (¥3 5 billion)

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The List of Completed Deals. January 1st to December 31st, 1988

Samurai Bonds/Dannyo Bonds Malaysia (Samurai Bonds V30 billion) Oil & Natural Gas Commission (Samurai Bonds ¥20 billion) Finland (Samura: Bonds ¥15 billion) Autopistos del Adanneo, C.E.S.A. (Samurai Bonds V30 billion) World Bank (Dairnyo Bonds V50 billion)

Yen Private Placements were Private Placements

Barque National d'Algerie (ven Private Placement V8 billion)

Trundad and Tobago (ven Private Placement V10 billion)

Barbados (ven Private Placement V5 billion)

World Bank (ven Private Placement V10 billion)

Equities Brush Gas pic (Lisung) Philips N.V. (Lisung) Sauchi & Sauchi Company pic (Lisung, Public Offenng ¥1,300 million) Nanonal Westmirester Bank plc (Listing, Public Offering ¥25 billion) #25 button)
Bayer AG (Listing Offer for Sale ¥127 billion)
British Steel plc (Offer for Sale ¥425 billion)

ns plc (Listing, Public Offering ¥7.4 billion)

January 1st to August 15th, 1989 ■Samurai Bonds/Datmyo Bonds New South Wales Treasury Corp. (¥30 billion) Oil & Natural Gos Commission (¥20 billion)

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mational Finance Corporation (¥20 billion) Shogun Convenible Bonds The Pertinsular and Oriental Steam Navigation Company (\$175 million) Fro Private Placemen Geskoslovenska Obchodni Banka a.s. (V 10 billion) The BOC Group plc (Listing, Public Offering ¥5,35 billion) American Brands Inc. (Listing)

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Eurobond League Table in 1988 (Book Runners Only)

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the benefits soon became apparent.

For the first time someone was able to look at humdrum issues such as how best to pay the company's hefty profes-sional indemnity insurance premiums. The manager reached agreement with the insurance company to spread the premium payments over the year. The interest saved by doing it that way paid for the office outing to Paris, says Jona-than Manser, one of the three directors.

Other, no less important, advantages have come in the two years since the manager was appointed. The directors can now devote more of their time to their professional work, invoices are sent out on time, reducing the size of the debtors' list; and if a letter has to be sent to chase a debt, then that is the

sent to chase a dept, then that is the manager's responsibility.

Manser, which has 10 qualified architects on a total payroll of 21 people, is typical of many small professional firms which are attempting to adopt a more business-like approach. In the accountancy profession mergers among the biggest international companies are leading to increased competition among leading to increased competition among smaller firms while lawyers, too, face challenges from the banks and the

challenges from the banks and the building societies in their core activities of conveyancing and probate work.

Many professionals are for the first time having to come to terms with the fact that they must manage their business better if they are to survive. Their task is not made any easier by the fact that many professional practices are organised as partnerships. The partnership structure offers certain tax advantages but can be difficult to manage and tages but can be difficult to manage and

act as a brake on change.
"It is difficult to persuade professional people to be businessmen," says Chris Magrath, a founding partner of Powell Magrath + Spencer, a West London firm of solicitors. They tend to let things go and wait for a crisis. It is almost as if they didn't want to dirty.

their hands with business."

The professional organisations, which have long provided technical and legal advice and help for their members, are increasing their efforts in areas of management advice - but there is still a

The Law Society recently produced a self-help management training kit-for newly qualified solicitors and is considering opening an advice service for management problems. But it finds many solicitors are too busy, or perhaps do not see the relevance of taking man-

"Only a small percentage have ever had any formal management training," notes Margaret Platt of the Law Society's professional standards directorate. "Changes in the profession mean solicitors need to know more about marketing and finance and not just how to manage an office."

For the new professional firm the initial problem lies in finding clients. But even in the early stages the problems of face all the budgetary and personnel managing growth arise. David Alvis, an

hen Manser Associates, 2 London-based architects' Professionals should practice, appointed an not practise at running a business

Charles Batchelor on a management dilemma



David Aivis: leap in size by buying a nearby firm of accountants

tion' without the businessman's vision

of where the firm should be going.

The firm needs to decide how to man-

age further growth and which areas of

legal work it should expand into, says Magrath. But this runs into opposition

from the older partners who are wary of

change and fear it will lead to a lower-ing of professional standards. Magrath

is keen to do more work advising inter-

national companies which have to move staff around the world but this con-trasts with the firm's traditional field of

advising less privileged clients, many of whom depend on legal aid. At the same time as planning for the

future, Powell Magrath must manage

its present operations more effectively. Because it does so much work for less

well off clients it works on narrow mar-

gins which must be carefully monitored if the firm is to make any profit at all. These problems require a two-

pronged approach, according to Magrath. Specialists must be employed in fields such as marketing while at the

same time the professional partners

must assume responsibility for particu-

lar areas of the business. The partners must make sure their area of activity is

running smoothly and must resist the

temptation to concentrate on their pro-

accountant, set up on his own six years ago in Hampton, west London, and built Alvis & Company up to a point where he had 190 clients and a viable business.

But organic growth is a slow and painful way to grow, says Alvis, and he recently bought the 60-strong client list of another small accountancy firm in of another small accountancy firm in nearby Chiswick. Alvis, who employs one other qualified accountant and three support staff, reckons he paid top rate for the business he bought but says a leap in size — he now earns fees of £150,000 a year - was necessary to offer attractive career prospects to his staff. It is usually at a later stage than this, however, that the real problems of managing growth arise. "In the early days everything is fine," says Chris Magrath. "You have your niche, a couple of secretaries and you get by without financial or management skills.

or management skills.

"But after a while you start to ask yourself what you are doing. Are you running a vehicle for your professional aspirations or a business?" After 12 years in existence Powell Magrath is at this stage, says Magrath. The firm's eight partners (out of a total staff of 55) for all the budgetary and personnel

fessional concerns, says Magrath.
Powell Magrath and Manser Associates both employ office managers but find that they can still benefit from outside professional advice. Both prac-tices use Blackstone Franks, a medium-sized accountancy company which has had to manage the problems associated with its own growth, to provide a dis-passionate view of their businesses. Blackstone Franks has helped Manser

tighten up many of its management procedures and given it more control of the uncertain business climate in which architects work. Only one in 10 jobs which come into an architects' office ever get built and even then projects can be held up for months by planning delays, says Jonathan Manser.

Blackstone Franks is helping Manse introduce a computer system to handle invoicing and to analyse timesheets to ensure the architects are working profitably. This allows the individuals to judge in advance whether they will complete a contract in the time allotted or whether they must try to negotiate for more chargeable hours to be

Although Powell Magrath sees a role for specialist managers in its efforts to become more businesslike, professional partnerships tend to reject the idea of bringing in outsiders. Some will bring m an office manager for the more rou-tine tasks though this does not always

work out smoothly.

Blackstone Franks, which has nine accountancy partners in a total workforce of 120, has had office managers in the past. This did not work well, however, according to Lance Blackstone, one of the founding principals. The pro-fessional partners found it time-consuming to brief the manager on what needed doing and frequently felt they could have done the job better them-

The six senior accountancy partners now divide up routine management tasks among themselves. One is responsible for the reception area, another for the filing system, others for personnel matters. Lance Blackstone says these duties have not reduced the number of chargeable hours he works though he concedes that the company could not grow any larger and continue to oper-ate under this system.

Conran Roche, an architectural, planning and property company employing 85 people with turnover of £4.9m, also introduced a more formal system of allocating tasks to its professional staff. The company's management style had not changed since it employed just five people and clear policies were lacking in areas such as recruitment and inter nal communications.

Conran Roche decided to involve its professionals in managing the company because they understood its needs better than anyone else and in order to give them a more broadly-based experi ence of the business, says Bob Pell, managing director. People are selected carefully, as much for their ability to manage as for their professional exper-tise or seniority. Only the finance director was recruited from outside the company for his technical skills.

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A big hand on small firms

Charles Batchelor explains how the TECs are being hijacked

The Training and Enterprise Councils (TECs), the newly-established organisations which will provide industrial training and small firms support at a local level, are in danger of being hijacked by large companies. This warning is contained in

a paper* by accountants Peat Marwick McLintock following the recent establishment of the first 19 TECs out of a planned total of 80. The UK Government's wish

for the TECs to have strong management teams has meant that the councils have recruited their chief executives from 'the great and the good' of local industry, according to Colin Carmichael, joint author of the paper. These people are likely to have a big rather than a small business

There is also some evidence

that while the TECs are seeking the views of the local small business community when drawing up their pro-grammes they are not involv-ing small firms directly in the

planning process.

Crucial to their success in the small firms' field will be their ability to work with the local enterprise agencies which currently provide a range of services to small

start-up companies.
"The process is being driven by the big firms," says Carmi-The Peat study says three things are required if the TECs

are to succeed: • They must create a genuine consensus in their areas involving local training, edu-cation and voluntary bodies and employer and employee organisations. Individual employers of all sizes, includ-

employers who previously have not been involved in local training activities, must be persuaded to contribute. • They must make a thorough assessment of the local labour market including future training needs and the resources available to meet this need. In addition changes in the labour market must be monitored in

a regular basis.

The staffs of the TECs. many of whom will have transferred from the Training Agency, must develop new skills and attitudes so as to be able to adopt a more commer-cial approach to their work. It is important for the TECs to be seen as a break from the past, when training services were provided centrally by the government-run Training Agency, if they are to succeed, Peats said.

Advice for late starters to 1992

FEW COMPANIES will have missed the mass of information which has come from the Government and private consul-tants on the subject of 1992. But for those business owners who are making a late start in responding to the challenge of the single European market or who want a concise overview of the progress towards European harmonisation, Your Business in 1992 offers a handy guide.

Somewhat artificially the book offers two strategies for Europe - one defensive, the other offensive. Readers may ignore this distinction, however, and pick the most appropriate elements from both.

The defensive plan starts with a preliminary investigation of the free material available on the subject of 1992. This should be distributed and read within the company. A senior executive, preferably at board level, must be appointed Department heads should then meet to discuss their initial The company should then

move on to study a copy of the 300 proposals contained in the 1985 White Paper 'Completing the Internal Market.' The stage which the various proposals have reached should then be checked with organisations such as the Department of Trade and Industry, trade asso-ciations and the British Standards Institute. The company's action com-

mittee must then decide which proposals will affect the com-pany and ask the relevant department heads how they think the company should respond and what this response will cost. These proposals should then be combined into a fully-costed business plan.

The offensive strategy starts with an analysis of the com-

pany's objectives, an audit of its products, markets, person-nel and finances and then moves on to a study of the potential of the new markets

which should open up. Would-be exporters must check whether their products or services match the preferences of potential markets; that they meet national technical standards and are of the right quality and price, the book suggests.

Readers should not be put off by the breathless gallop through Europe's economic history in the book's opening chapter. Subsequent sections contain useful information on the institutions of the European community and sources of advice and assistance.

*By James Dewhurst. Published by Rosters, 60 Welbeck Street, London W1M 7HB. 304 pages £8.95 plus £1 p + p.

Charles Batchelor

In brief...

■ The role of the entrepreneur in economic development and the modernisation of small business are two of the sub-jects to be discussed at the 16th International Small Business Congress to be held in Sao Paulo, Brazil from October 22

(FIMBRA)

Participants will include government officials, representatives of private sector organisations and academics from 40 countries.

Contact SH Congressos e Eventos, R. Leopoldo C. Magal-haes 1037, 04542 Sao Paulo, Brazil. Telefax 55 11 239 0067. ■ The fifth Women in Business

Exhibition will be held at the

Novotel, London W6, on November 10 and 11. A one-day Returners' Work-shop will be held for women returning to work after a career break.
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Making prints at Pont Aven

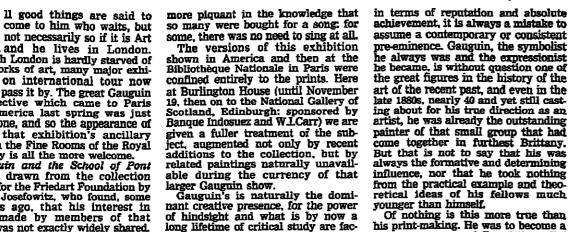
William Packer on the exhibition at the Royal Academy

not necessarily so if it is Art and he lives in London. Although London is hardly starved of great works of art, many major exhibitions on international tour now seem to pass it by. The great Gauguin retrospective which came to Paris from America last spring was just such a one, and so the appearance of one of that exhibition's ancillary treats in the Fine Rooms of the Royal Academy is all the more welcome

Gauguin and the School of Pont Aven is drawn from the collection formed for the Friedart Foundation by Samuel Josefowitz, who found, some 30 years ago, that his interest in prints made by members of that school was not exactly widely shared. The relish with which we now view

some, there was no need to sing at all. The versions of this exhibition shown in America and then at the Bibliothèque Nationale in Paris were confined entirely to the prints. Here at Burlington House (until November 19, then on to the National Gallery of Scotland, Edinburgh: sponsored by Banque Indosuez and W.L.Carr) we are given a fuller treatment of the subject, augmented not only by recent additions to the collection, but by related paintings naturally unavail able during the currency of that larger Gauguin show.

Gauguin's is naturally the domi-nant creative presence, for the power of hindsight and what is by now a long lifetime of critical study are factors hard to dismiss out of mind. But whatever the subsequent justification,



master, most especially of the relief print, and the great retrospective held many beautiful examples of the extraordinary woodcuts he made in the South Seas. But he had made only a dozen prints in all before he left France, and at Pont Aven in the 1880s he was still very much the tyro. The others may have responded to his imagery as their synthesist and symbolist principles developed, but it was during his absence in Paris through the early 1890s that his own tech-niques developed, while their print-making of all kinds — cuts, etchings, "zincographs" (lithographs but made on much cheaper zinc plates) – flour-

The work on show by all the artists of the school naturally reflects its engagement with the shared assthetic. "I love Brittany", wrote Gau-guin in 1888; "I find there the savage, the primitive. When my clogs resound on the granite soil, I hear the muffled, dull, powerful tone that I seek in my painting." The ordered simplicities and ritual certainties of the Breton nessant life struck the same ponderous, symbolic note in the imaginations of Bernard, Sérusier, Seguin and Delavallée, and insistently enough in their case to drown out that more distant, atavistic beat, that would finally draw Gauguin away, dreaming

of the true, primitive life.

That Breton primitivism, such as it was, served also to supply the emotional, symbolic cloak for the formal sophistications of synthesism, that pointed inexorably towards abstrac-



Detail from "Seated Breton Woman" by Henri Delavallée

tion within a generation. "Remember," said Maurice Denis, "that a painting, before being a battle horse, a nude or any kind of anecdote, is entially a flat surface covered with colours organised in a certain order." Delivered apropos Synthesism in par-ticular, it is a truism of all painting, and here we can see the artists of Pont Aven looking to the Japanese print, medieval woodcut and illumination, folk art and the popular broad-sheet for just such reference and example, and such near contemporaries as Millet and Puvis de Chav-annes besides. Such matters are inter-esting enough, but the greater excitement in the show lies with the revelation of the individual artists, in particular those not so familiar or, perhaps, those not hitherto so closely regarded, or seen in this context. Pont Aven was never an exclusive society. Artists came and went: Gauguin himself was only there intermittently, between 1886 and 1891, and 1894-5. There were several British artists there from time to time, including

ARTS

several, such as Stanhope Forbes, who came over from Newlyn in Corn-wall. The two Britons represented here are the young Robert Bevan, and the Irishman, Roderic O'Conor, who is a true star. Indeed, his etchings, supported by the magnificent Pont Aven landscape lent by the Tate, are the outstanding group within the show – simple, vigorous and direct, wonder-

But he is only questionably alone in that distinction. The calm, expansive landscapes of the self-taught Maxime Maufra are something of a discovery, and while Emile Bernard is close to Gauguin in both idea and practice, Armand Seguin declares himself the more substantial artist-as-printmaker, as much in technical range and variety of subject as in the actual quality of particular works. An emphatically simple reclining nude is especially fine and his small, simple portrait etchings of young Breton girls are exomisite.

This is not a large show, but one to linger over and savour neverthele

Maxwell Davies's Fourth ALBERT HALL/RADIO 3

A critic hearing for the first time an important new symphony in four linked movements lasting nearly forty-five minutes is well advised to avoid final-sounding pronouncements. What emerged unarguably from the premiere of Peter Maxwell Davies's Fourth Symphony at the Proms on Sunday is the com-poser's comprehensive econ-

omy of means.

He is at the stage of compositional maturity where little can be made to go an extraor-dinarily long way; the work, a clean-cut stretch of discourse for Classical-symphony forces, is replete with moments in which a single line, a single strand (or combination) of colstrand (or community spaced silences, is heard to take on a weight of expressive meaning that enriches every musical "event" with long-term signifi-

The Fourth is unlike its pre-The Fourth is unlike its pre-decessor symphonies in being written for the Scottish Cham-ber Orchestra (of which Max-well Davies is Associate Com-poser-Conductor); the intentional reduction in avail-able forces has clearly pro-vided a new burst of encour-agement to an already longited penchent for "Northongheld penchant for "Northern" leanness of sound and substance. The physical envi-ronment of the symphony is a bare, bleak land-and-seascape, not filled with spectacular vistas or fiery contrasts of bright and dark as were the earlier Maxwell Davies essays in the form. At the same time the masterly control of colour makes each sound-image stand out with new distinctiveness.

The composer has described particular sources of inspiration — the sea, a Medieval plainchant (which supplies the argument with all its harmonic and medieval its harmonic and monic and motivic content), and the early-morning sight-ing, at his Orkney island home, of a golden eagle poised to take flight. The picturesque elements — pairs of horns and

trumpets constantly dotting out in brief, brilliant fanfares; the cross-rhythmic swirls and eddies of the magnificent second-movement Scherzo, pinloned on the timpani; the low light-flickers of alto flute and clarinet at the start of the gravely beautiful Adagio are at once perceptible and finely absorbed into a continu-ous musical fabric. This may be a symphony inspired by time and place, but it is by no means a "programme" work.

What a first hearing left uncertain is whether the symphonic appellation answers exactly to the listener's sense of the work's unfolding. The shape is appreciable in Classi-cal terms, even though Max-well Davies has "smudged" (his own word, in 2 pre-Prom talk) the boundaries between talk) the boundaries between movements by gathering there pools of material either recal-led from earlier or prema-turely introduced. But the halting exposition, in Maxwell Davies's characteristic vein of self-interruption and even disruption, sets up expectations for a fourth-movement conclusion which will cap the argument with long-lined melodic percration.

Instead, there is an incon-clusive feeling to the finale, which after a chorale-like plainsong summation seems simply to ebb away - it is as though Maxwell Davies is intentionally resisting the drives and demands he has created. Future performances, particularly those less hardpressed and uncomfortably string-balanced than the Scottish Chamber Orchestra's on Saturday, conducted by the Associate Composer-Conductor himself, will no doubt explain whether such symphonic incoaclusiveness is part of the work's fascination, or whether it was merely the consequence of a first-time listener's incomplete understanding.

Max Loppert

The Purity Game

Detail from "The Artist's Wife" by Robert Bevan

MINERVA STUDIO, CHICHESTER

The marvellous Minerva is both a compacted version of the parent Chichester Festival Theatre and a fine new flexible arena, in spite of the visible breezeblocks and regulation red and grey finish. A first visit corroborates everything Martin Hoyle has already said on this page. Two cheers for

sponsorship.
Trouble is, what do you put in it? All reports confirm that. in this first season, the Botho Strauss version of Gorky's show; but can it possibly have come anywhere near the Peter Stein Schaubühne production for which Strauss prepared the script? There has been Marivaux and Love's Labour's Lost, and a re-hash of Caryl Chur-chill's Cloud Nine for which the audience was unprepared

and the critics too grown-up. Now a new musical, a copper-bottomed disaster and the most compulsively excruciating evening I have spent in a theatre since Adrian Mitchell's Lope De Vega musical at Watford last year. Gillian Plowman is a no doubt promising author who has just won the Verity Bargate Award, and that is as positive as I can be. With dreadful music by Corin Buckeridge and lyrics to match by director Will Cohu, The Purity Game is an embarrassing attempt to send up the soaps, as in "The Partridge Family meets the Twilight Zone."

Neighbours in Bedfordshire collude in promoting their sup-posedly virginal offspring in a moral crusade, the selling of purity. The real world is chock full of AIDS, violence, child abuse, drugs, acid rain and ter-rorism. Get on down and get

What actually happens is that Deborah Beaumont's virginal Lolita feigns pregnancy to thwart the randy unem-ployed father, Eddie (Michael G Jones), next door, her own iesman father (Tony Ashton) walks around with cardboard boxes on his head; and two brothers, one religious, the other sporty (Alex Hanson and Roger Moss), sing terrible snatches of non-song while smugly praising God and doing

There may be a zany satirical play inside there, but I doubt it. The nadir, and high point, is Eddie's musical nightmare of singing a bad Country and Western number ("A Man's Gotta Ride Tall in the Saddle") with his trousers the Saddle") with his trousers round his ankles while clutching a toilet roll. The significance of this escaped me, but not its transcendent direness. Eddie, the purity pusher, ends up a gibbering wreck. And who can blame him? I was not feeling too good myself myself.

Michael Coveney

National Theatre Festival in Rotterdam

wo decades after the celebrated tomato action – when the con-tents of Holland's greenhouses were hurled at the contents of her theatre, killing the effete boulevard tradition stone dead – the Dutch are still feeling their way round the debris. A new tradition has, of course, grown up. but from the evidence of this year's National Theatre Festival in Rotterdam it remains theatre of experiment and exploration with the experimentalist's awe of the enfant terrible.

Old-fashioned entertainment was not a concept that figured greatly in this annual showcase, now in its third year, for the 10 productions judged by a panel pick of the last season. Weighty programme essays and an uncompromising austerity of design set a mood which appears to have swung from flamboyant disregard of convention to an earnest reappraisal of theatrical structure and the mechanics of emotional engagement.

The result is a highly individual theatre, which at its best genuinely opens up new horizons. Where else would you find an audience prepared to sit in rapt attention for a two and a half hour monologue based on three Cambridge seminars by Wittgenstein? Where else, for that matter, would you find an actor able and willing to perform it? Even without understanding a word of Peter Verburgt's weighty Wittgenstein Incorporated, one could not help but admire the meticulous detail and intelligence of Johan Leysen's performance of it. Here is a master technician (a television star to boot) who is not remotely stagey, and who appears to engage totally with his material.

The rigorousness of Wittgenstein has its flip side in Maatschappij Discordia's

handling of a family drama by Judith Herzberg, which carried off the award for

best play of the season. (Discordia, with characteristic fastidiousness, ruled itself out of competition for the Fl30,000 best production prize. Perhaps, remarked a detractor, it was afraid it wouldn't win). Revered and reviled with equal passion, this company appeared on a first encoun-ter to be peddling a hippy theatre which

owes its undoubted cult status to a wilful refusal to engage in any conventional refusal to engage in any conventional debate. Its actor/director, Jan Joris Lamers, is famous for his inability to learn a part. Even after some 50 performances he insists on his right to keep a script within reach, enshrining this is a company style which is deceptively

ily home casts a brutal light on a delicate cobweb of relationships. The play was premiered by the Tonneelgroep Amsterdam in a naturalistic style which was widely held to be a mistake. Discordia has made a success of it by going to the oppo-site extreme: sombrely-clad actors stand around in groups discussing themselves behind a line of silver trophies which is

ritually destroyed between scenes.

Lamers himself plays the eldest daughter, Do, a top secretary to whose lot falls the repetitive job of tidying up the mess. It is certainly not done camply, and neither is there any attempt to impersonate a woman. While one might venture all winds of psychological reasons for this allenation, Discordia says Lamers was simply cast to type.

Whether it is inspired deconstruction or

perverse self-indulgence, it exemplifies a preoccupation in the festival with the mechanics of text, Holland does not have many playwrights of its own, and there is a strong sense of a theatre that is intrigued and perturbed by the intrinsic power or a newly discovered toy.

Again and again, the fripperies of

design and performance are cast aside in puritanical pursuit of an uncluttered perpuritanical pursuit of an uncluttered per-spective. In Medea, one of three contribu-tions from Tonneelgroep Amsterdam, the men stand sungly around with cardboard crowns and attaché cases, while a mas-cara-smeared woman fights a deadly bat-tle for custody of her children amid can-teen chairs, watched by pretty, stern-faced chorines in grey gaberdines. There is no sense of majesty in Gerardjan Rijnder's Euripedes, but there is an austere ele-gance in the symmetry of the staging.

gance in the symmetry of the staging. It is a mark of the new Dutch establishment that Kitty Courbois, who plays Medea, appeared as the incestnous nym-phet in the 1969 première of Hugo Claus's val contributions. Klaus, who is Flemish, is one of the most prolific and well-respected figures of Dutch-speaking litera-

This anguished, though flagrantly prurient play, an anachronism in the prorient play, an anachromsm in the pro-gramme at over three hours long, drew an outstanding deadpan performance from Rik von Uffelen as the father recently released from a jail sentence imposed for bedding his only daughter. The pain of his memories and the comedy of his return to a wife who has shacked up with her recently or a held in an absorbing helneighbour are held in an absorbing bal-

ance.

If Vrijdag represents a look back to the immediate aftermath of the tomato action, Tonneelgroep also indicated a way forward with the scintillating physical theatre of Gesprekken Over Goethe?, a funny and probing anatomy of suicide written and directed by Frans Strijards. In the midst of such sobriety a collective sigh of relief was heaved in the foreign critice's circle at the assurance that Goethe himself had nothing obvious to do Goethe himself had nothing obvious to do

Claire Armitstead

September 8-14

beperformed with guest artists from the Theater des Westens, Berlin.

Opera. The successful new Aida production by Jacques Karop-stars Rosalind Plowright in the title role, Livia Budai, LandoBar-

Natasha Parry

Mrs Warren's Profession

ORANGE TREE THEATRE, RICHMOND

The actor Brian Cox's new-found directing career is a case of much rabbiting among the Warrens. Hardly has Mary Warren been broken open by prosecuting Puritans in his Mescow Art graduate produc-tion of *The Crucible* at the Riverside Studios, than he pre-sides over Vivie Warren's rejection of her mother in Shaw's imperishable early comedy at the Orange Tree in

comedy at the Orange Tree in Richmond.

(Between times, Mr Cox is still appearing in Frankie and Johnny at the Comedy Theatre and is writing a book while getting ready for King Lear at the National next year; we shall soon have to declare Simon Callow and Antony Sher to be nothing but dolts and slouches.)

slouches.)
Even as the shock of learning that Mrs Warren has made a fortune by running a chain of European brothels is absorbed by time, so the play renews itself as a moving study of harsh filial ingratitude. In the light of Michael Hol-royd's heroic Shavian excava-tions Wire's plainter the

tions, Vivie's plaintive "If you are my mother, where are my relatives?" takes on fresh poignancy. And Natasha Parry, just as Joan Plowright did at the National, finds great emotional purchase on her last line of defence: "I kept myself lonely for you."

Plowright was a no-nonsense vulgarian from the off, whereas Miss Parry, who reminds me often of Annie Ross, is an elegant, beautiful Edwardian whose Cockneyisms have been skilfully disguised. The social climber has entwined elements of Marie Lloyd and Cynthia Payne in a bright vision of dark silks, auburn hair and sparkling

eyes.

Miss Parry's real-life daughter, Irina Brook, has set about the impossible task of neutralising her own natural beauty by playing Vivie as a priggish know-all. She receives the news of Mum's ill-gotten gains with hardly a flicker of sur-prise. Her world, and cradle, should here rock. The point about Vivie, surely, is not that she is a stuck-up moralist, but a spirited New Woman deter-mined to secure economic and social independence for herself through hard work and honesty in relationships.

One new laugh came when the rector's son ("a good sort but a bad lot") offers Vivie "theatre in Richmond and a jolly supper." Otherwise, Step-hen Marchant does not strike the sparks to place Frank Cardron in the reclar of Wild Gardner in the realms of Wilde and Saki. His father is delight-fully taken by Ben Aris, whose middle-aged double act with one of the nastiest of Shaw's nasties, Sir George Crofts (Richard Owens), extends to a nifty scene-change. Robert Langdon Lloyd (once Robert Lloyd of the RSC) is a splendidly aesthetic Praed.

The production makes good use of a natural diagonal across this tiny stage (like having a show in your own front room), and Tom Piper's design of a canvas hammock, low swing and detachable floor-cloths is a small miracle spoilt only by a surfeit of firmiture. furniture.

The venue was torture on Friday night, hotter than a hot-house at Kew. Roll on the new £1.25m Orange Tree across the road in 1990: step forward, please, one Diamond Donor, still wanted to pay £50,000 for the air-conditioning.

Temba Theatre's Back Street Manny, reviewed here on Sat-urday, is playing at the Lyric Studio, Hammersmith.

Michael Coveney

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OPERA AND BALLET

ARTS GUIDE

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley, and the conductor is Sian Edwards. English National Opera, Coli-

sum. The first new production of the ENO season is A Masked Ball, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's contourers is 18 more Recognition. controversial Simon Boccmegra, Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles.
Further performances of the unevenly sung revivals which opened the season — The Magic Flute, conducted by Lothar Zagrosek, with Thomas Randle, Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanooa*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley, Edmund Barham, and Donald Adams.

Sadler's Wells Theatre, For six professionals and the Theatre, For six professionals and the Theatre, I ad-

performances the Theater Lud-wigshafen (from Germany) and the Academy of Ancient Music join forces to present a "period-instrument" production of Moz-art's Entfilturing ous dem Serail.

Vienna

Staatsoper. Le Nozze di Figuro by Mozart is conducted by Ivan Fischer, with cast including Mar-garet Price, Thomas Hampson and Horst Nitsche. Lucia di Lammermoor is conducted by Ion Marin and sung by Edita Gruber-

ova, Georg Tichy and Peter Win-berger. *Fidelio* is conducted by Vaclay Neumann and the cast includes Gwyneth Jones, Sona Ghazarian and Jaroslav Stajnc. La Bohème under Silvio Varviso, Li Bohème under Silvio Varviso, is sung by Patricia Wise, Kurt Rydl, Bojidor Nikolov.
Volksoper. The week's performances include Ein Walzer-traum, Die histige Witwe, My Fair Lady, Eine Nacht in Venedig, Tiefland, Don Giovanni and Kiss me Kate.

Theatre du Residence Palace. The Marriage of Figuro staged by Stefano Giuliani. The Brusse Festival Orchestra is conducted by Robert Janssens with Marie-Noelle de Callatay, Victor Noelle de Callatay, Victor Demaiffe, Isabelle Kahatu, Wer-ner Van Mechelen.

Theätre Royal de la Monnaie.
The Monnaie Opera Company in Verdi's Falstaff, staged by Iluis Oasqual, conducted by Syl-vain Cambreling with Jose Van Dam (Falstaff) Laurence Dale (Fenton). Uro Berelli (Dr. Cains)

(Fenton), Ugo Benelli (Dr Cajus). Diana Curry.

Opera: Hebbel Theater. Montezuma in Herbert Wernicke'sprod-uction returns with Iris Vermillion, Jane Giering, Gudrun Sieber and Walton Groenroos. Also three ballets, danced by guests from the Munich Gärtner-

Hamburg

Opera. The Broadway musical La Cage aux Folles, by JerryHer-man and Harvey Fierstein, pro-duced by Helmut Baumann will

tolini and is expertly conducted by Bonn's music director Dennis Russell Davies. Cologne

Opera. Jenufa, in Harry Kupfer's production, is revived with astrong cast led by Leonie Rysanek-Gausmann, Linda Piech, Gueuter Neumann, Jean van Ree, Alfred Kuhn, Tone Kruse and conducted by James Conlon, Cologne's new music director.

New York New York City Opera. Along

with the last performances of Leonard Bernstein's Candide conducted by Stanley Silverman, the season continues with performances of *Die Zauberflöte* conducted by Scott Bergeson in Loftl Mansouri's production with Klirabeth Hynes and Walter Mac-Neil and II Barbiere di Siviglia conducted by Sergiu Comissiona Lincoln Center New York State Theatre (877 4700).

Tokyo

USSR State Ballet. Sleeping Benuty. Tokyo Bunka Kaikan (Tues, Wed) (235 1661). (Tues, wed) (235 1661).

Bayreuther Festspiele 1989:

Tomhäuser conducted by Giuseppe Sinopoli. Tokyo Bunkamura (Tues) (477 3244).

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FINANCIAL TIMES

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Tuesday September 12 1989

The UK in a cul de sac

IS ALBION being perfidious or simply too clever by half? Though ingenious, the plans for currency competition advanced by the Chancellor for the Exchequer suffer from a simple drawback: they do not offer a path to what everyone else considers monetary union. Instead, they represent an

alternative.
The time for such alternatives was the beginning of the year (or even earlier). The danger of the year for earlier of the year for earlier of the year. ger in putting them forward now is that Mr Lawson could lose the opportunity to forge an alliance with more formidable opponents of the Delors scheme, especially the Bundesbank, which may be driven into the arms of Mr Delors. Last June in Madrid, "the European Council restated its determination progressively to achieve economic and monetary union." There was disagreement over whether the Delors report provided the best blue-print for Emu: there was disagreement over the timing of stages subsequent to the first (which is to begin on July 1, 1990); there was disagreement over the timing of (and need for) an inter-governmental conference to lay down the subsequent stages; but there was agreement (however unwilling on Mrs Thatcher's

Common sense

part) on the ultimate goal.

The common sense interpre-tation of economic and monetary union is a region with irrevocably fixed exchange rates and no exchange con-trols. Against this, the Chancellor now seems to suggest that the legal use, for all purposes, of any of the currencies of the European Community would itself make an Emu.

For cash transactions, the advantages of a currency that is used by one's fellow citizens outweigh a modest inflation differential. Moreover, most liquidity is held in interestbearing form. In the absence of exchange controls, rates of interest will offset expected inflation differentials. If that condition is met, it is perfectly possible for currency competi-tion, in Mr Lawson's sense, to be combined with adjustable exchange rates, as in the present European Monetary System (EMS), or even freely float-

ing rates.
In short, free competition in

currencies may be an adjunct to Emu, but it is neither a sure path towards it, nor a substitute for it. Since increased competition among currencies will occur, in any case, as exchange controls are lifted, the British proposal looks like

The important battles to come (except over timing) will be about the scope of Emu, especially the place of fiscal policy, and control of policy-making. The former issue can be resolved relatively easily, since it would be possible to have Emu without coercive central control over the fiscal policy of member countries. The more difficult issue is

who controls monetary policy. A monetary union could be created by freezing exchange rates after exchange controls have been liberalised. The essential feature of such an Emu would be the continued domination of the Bundesbank. From the point of view of pres-erving the value of European money, this would probably be the best solution. The system would be undemocratic, but no less so than the European System of Central Banks envis-aged in the Delors report.

The more important objection would be the failure to dilute the influence of the Bundesbank to the extent desired by policy-makers in other member countries. The problem is that the price of transferring control to an EC-wide institution would almost certainly be worse money.

Unfortunately, the UK is not in a position to make a sensible contribution to the debate. It can hardly come forth as an enthusiastic supporter of a system based on the present EMS, when it is not even a full par-ticipant. Meanwhile, the Chancellor's new ideas will be treated as an adjunct to Emu, at best. However much the UK may wriggle, its chief problem remains. The UK has already subscribed to the goal of Emu. which must at the very least include permanently fixed question of Albion's deceiving others; it looks as though

> The south of East Germany was the industrial heartland of Germany. Although the Russians dragged away much of what remained of its plant after the war, the know-how and work habits remained.

That was combined with more flexible application of planning principles than in most other East bloc countries, and a sensible factory price reform in 1976. The 1980s, however, have mercilessly exposed

As thousands of East Germany's citizens escape to the West, FT writers report on the country they are leaving

A SIGN over a shop near Leipzig station reads "Mautner & Alswede, Paris-New York." But the bolts of garish cloth in the window would be hard to sell even to East Germans. In front of Nikolai Church more than 100 spectators and many more

policemen and security officials are waiting for the end of Mass. The church is thronged by citizens seek-ing to emigrate and by those – fewer in number – who want to remain in order to change East German society. This country is falling apart but Honecker pretends he knows nothing," beliows one spectator. A nearby policeman does not hat an eyelid. The authorities no longer harass individ-

crack down on organised protests.

The young man, an apprentice train driver, continues to hurl abuse at the leadership; he says he will "beat it" as soon as he has his Facharbeiterbrief, the skilled worker certificate which would get him a job with the West German railway. When the worshippers emerge from Nikolai Church, a crowd of several

ast Germany's best

industrial technocrats talk of profit maximi-sation, shaking up

sation, shaking up sluggish bureaucracy, and

incentive pay, and they mean

it. But a few islands of capital-ist thinking and world-class

technology - such as Carl Zeiss or Polygraph - are no match for decades of centrally-planned autarky.

Average East German fami-

lies must wait 10 years for a new car, eight years for a tele-phone. Overall, their standard

of living is about half that of their West German cousins.

One senior East German offi-cial admits: "There is obvi-ously dissatisfaction among

the people about the supply of

consumer goods and we must do something about it." There are rumours that the Govern-

ment may soon bend its policy

of minimal exposure to west-ern debt and accept another

loan from West Germany to try

to quell that dissatisfaction. Reform-minded officials will

be arguing in the run-up to

which lays down a new five year plan - that the only response to the gradual disso-

lution of Comecon is an open-

ing to the West and de-politi-cisation of the economy.

But their opponents will point to the danger of Polish "anarchy" and reiterate the

success story of over-fulfilled

plans and technological prow-

ess - symbolised by the immi-

nent development of a 4 mega-

bit memory chip.

next May's Party Congress

uals for such remarks, though they

hundred chant "Wir wollen raus" (we want to leave). They hope to get their pictures on western television in order to be expelled to West Germany; the authorities have rejected their previous applications to emigrate. They ignore those who call back "we're staying here" and are trying – against police opposition – to demonstrate for reforms.

A 21-year-old man visiting Leipzig from Gera in Thuringla watches the would-be emigrants from behind a police cordon. He says he would like to visit the West but is not sure if he wants to leave East Germany forever. His main concern is that he cannot clearly see what sort of work he will be doing 10 years on — a very Ger-man worry. "I can't even see ahead for the next two or three years" he says dejectedly.

Another young onlooker, a mechanical engineer, lives with his parents in Leipzig. His wife and their small child live with her parents in a

village 12 kilometres away. "We only got a child in order to get a flat," he says, "but it's still very difficult." Fran M, a teacher I have known for many years, has an old-fashioned German sense of duty. She and her husband, also a teacher, say they can-

not emigrate and leave their young neople in the lurch. Those who are leaving, she says, have "illusions" about the West. They do not want to work. Four teachers from her school have not returned from holidays in Hungary. She gets up at dawn to take on their teaching burden. People leave not for political rea-

sons, she says, but because of the "miserable" supply of meat and citrus fruits, the absence of many consumer goods and services which were more readily obtainable years ago. Doctors are fleeing because of poor pay and obsolete equipment.

Next day on a train I overhear a railwayman say he has been with the Deutsche Reichsbahn for 35 years but

that the shoddy work being per-formed now defies description. Bad-ly-done work is still humiliating to ly-done work is still minimizing to many East Germans; it is one of the reasons often cited for leaving.

As the train approaches Halle, the sky grows darker and the sun vanishes behind clouds of noxious gases. Halle, hirthplace of Georg Friedrich Händel, is the centre of East Germany's chemicals industry.

Service officers and their families

Soviet officers and their families Soviet officers and their families stand on the station platform with huge boxes filled with consumer goods, waiting for their trains back home. "GDR khorosho" (East Germany is good) one officer tells me. "Good living conditions."

Buna and Leuna, built to make synthetic rubber and petrol during the First World War, are still the layeest chemical complexes in the

largest chemical complexes in the Halle area. Many young families have been drawn to Halle by offers of good pay and new housing. The price is having to breathe some of the most

Berlin

Potsdam

GERMANY

Leipzig

polluted air in Central Europe. Beyond Halle's Karl Liebknecht pedestrian mail is a small private ironmongers run by Frau Frieda L. 60. "No one goes hungry here," she says. "We hunger for something else" to travel freely, to stop hearing "lies," to enjoy the rewards of work.
Frau L's brother and sister live in West Germany, but visit her every year. "Our leadership thought the year. Our leadership inought the ties to West Germany would weaken with time. But they haven't," she says. "We are a very German family."

A man waiting with his wife at a tram stop says people are leaving simply because of the "miserable situation." His wife adds: "and the swindle with the elections." The alleged 98.85 per cent vote for Party candidates in recent municipal elec-tions deeply offended many citizens who had voted in record numbers against the official candidates.

But we can't all leave" the man

Exodus from the old socialists' paradise

the economy's structural weak-nesses. At the beginning of the decade, when it should have

A little earlier, the authori-

cient supply lines. But the Kombinats have also created their own problems, especially in the consumer goods sector, by wiping out lots of smaller plants and ser-vice industries or handing them over to a private sector which prefers to work for hard

The immediate future looks • Labour shortages. These outflow of skilled people. More

Despite relative decline against the West, the economy • Energy. The fall in the oil remains the strongest in the East bloc. That has something to do with the special relationship with West Germany which directly and indirectly pumps about DM 4bn (£1.3bn) into the economy every year. But it has more to do with the industrial heritage of pre-war

> of exports that go east). Worker motivation. Never very high in the past 20 years, this has been hitting new lows, according to the analysts at

been re-equipping, the Govern-ment harshly rationed hard currency for western capital

ties had replaced the ineffec-tive industrial branch associations with Kombinats. These giant vertically integrated monopolies, organised under a single management, are usually able to ensure more effi-

currency.

are worsened by the recent than 100,000 guest workers from Vietnam and Africa have been sucked in, creating social tensions in some parts of the

price has reduced the value of sales from East Germany's export-oriented refineries, and thus hard currency income. Earlier, the oil price rise led to a cut in the Soviet supply of crude oil and thus heavier use of the polluting brown coal (lignite), now running out.

Export quality. This is the subject of growing complaints not just from businessmen (who buy about half the 30 per cent of exports that goes to the West) but increasingly also from the Soviet Union (which accounts for about half of the 70 per cent

FRANCE W.Germany E.Germany GDP: DM 2,110.9 bn Net material product; EM 269.0 bn Per capita: DM 34,492 Per capita: EM 16,205 Official rate 1EM-1DM, unofficial western rate 7.7EM-1DM Population: 16.6 m Population: 61.2 m the Institute of Economic its bright spots, however. The technical and design stan-Germany's relatively high edu-cational standards are one reason for the economy's durability. They have also helped to create a well-informed cynicism about the system's more obvious absurdities, fostered

NETHERLANDS

BELGIUM

LUXEMBOURG

plant going back to pre-war days but also some relatively modern and efficient segments; the shipbuilding industry is, according to one West German competitor, quite strong, as are parts of the textile machinery, printing machinery and optics industries.

Hamburg

Hanover 💮

Frankfurt

GERMANY

WEST

Cologne

Bonn

The furniture industry can also compete with western

supplier to retailers like Sweden's Ikea and Britain's MFI. But most other consumer goods are either erratically available, or of poor quality, or both, like the spluttering Wart-burg or Trabant cars. The Shoe Kombinat, run by

AUSTRIA

CZECHOSLOVAKIA

Mr Jochen Lezoch, is one rela-tively efficient consumer goods manufacturer. Shoe prices are

says. "No, someone has to put out the lights," says his wife. Leslie Collit high and quality is nothing special; none the less about 47,000 workers produce 90m pairs of shoes a year, which compares reasonably well with the 70m produced by 33,000

workers in West Germany.

Mr Jurgen Poeck, one of Mr
Lezoch's deputies, claims that
plants within the Kombinat
work with realistic prices and
make profits and losses. He says most workers in the Kombinat now get about 20 per cent of their pay from productivity bonuses. The effectiveness of this is limited, however, by the lack of things for workers to buy. And according to western businessmen, the Shoe Kombi-nat has only one computer numerically controlled (CNC) machine; the second will not be delivered until 1994.

Most of the old men running the country have no desire for change because they believe they have reached a sort of socialist paradise. Compared with the working class districts of depression Germany, where many of them grew up, they have done well: everyone has work, housing and food are cheap, health care is free, children are well cared for. Mr Erich Honecker, the ailing East German leader, is said to care dearly about only one eco-nomic matter – keeping rents to about 80 pfennigs a sq metre, about one tenth of the price in West Germany.

In the short-term the reformers hope for an increase in foreign borrowing, a streamlining of the multi-layered trade bureaucracy, and a relaxation in the opposition to joint ven-tures. (Officially only partnerships or production-under-licence agreements exist, such as the successful deal with Salamander sports shoes or the less successful attempt to

make Volkswagen engines).

In the longer term the best hope may be for an external shock delivered by the Soviet Union, through its domination of East Germany's foreign for much more payment in

hard currency. But the pessimists maintain that the real obstacle to full-scale economic reform is the ability of the system to limp on, avoiding the sort of crises experienced over the border in Poland.

David Goodhart

The flight to freedom

AMONG THE many dramatic events which have shaken the Soviet Union and Eastern Europe over the last two years, none has underlined more clearly the failure of the Com-munist system than the present exodus of thousands of East Germans via Hungary. The last time such a large migration from the German Democratic Republic took place was at the time of the building of the Berlin wall in 1961, when economic conditions in the country were much worse than they are today. The gap between the standard of living in the GDR and West Germany, where the bulk of the refugees are heading, remains large. But the doms has motivated the exodus at least as much as the desire for more material comforts. Mr Erich Honecker, the East German Communist leader, has only himself to blame, though there are signs that he has not been fully in control of policy-making recently because of serious illness. While the

Soviet Union, Poland and Hungary are implementing reform programmes in line with Mr Mikhail Gorbachev's policies of perestroika and glasnost (not always successfully, it is true) the GDR has remained a bastion of Communist orthodoxy. To the tantalising picture of wealth served up to East Ger-mans daily on the West German programmes, which they are able to receive on their tv sets, has been added the bitter realisation that even some of their Communist sister states are introducing democratic

Gross anachronism

In these circumstances, the virulent criticisms of Hungary and West Germany for promoting the flood of East German refugees over the Austro-Hun-garian border, which have emanated from East Berlin. can hardly be taken seriously. It is true that, by finally allowing the thousands of refugees who had gathered in Hungary to cross the Austrian border, the Hungarian authorities were breaking a 20-year-old agreement with East Germany. But that agreement itself was a gross anachronism which con-travened not only the spirit of

and the 1975 East-West Helsinki Agreement and its follow-up conferences, but was no longer in keeping with Hurgary's own much more liberal policies. Yet however much one

applauds the humanitarian principles on which the Hungarian decision was based, it is clear that the resulting situa-tion is full of potential dangers which could threaten the fabric of East-West relations. Once the flood-gates have been opened, it will be difficult to close them again. Many of the 60,000 East Germans now estimated to be on holiday in Hungary may want to join the exo-dus and thousands of others from the GDR and other East European countries will be tempted to follow the same

Economic drain

The GDR's economy is drain of the thousands of skilled workers and young professional people who consider the country no longer offers them a sufficiently promising future. The remedy is not with-out risk for the GDR leadership. The implementation by the Government of the kind of reforms which will keep people from leaving is clearly an urgent matter. Yet the very raison d'être for an indepen-dent East German state is its communist system and ideology, without which it would lose the separate identity which distinguishes it from the

Federal Republic.

If Germany is to be reunified eventually, that should certainly not be allowed to occur as the result of a sudden collapse of the GDR. The vacuum created in the centre of Europe and the ensuing instability and the ensuing instability would risk provoking a Soviet military intervention and thus constitute a serious menace to world peace. The West, and the Federal Republic in particular, must be careful not to precipi-tate such a situation. What is required now is the adoption of reforms in East Germany which will lead to the progressive liberalisation of the regime and thus avoid the serious upheavals threatened by Mr Honecker's hardline poli-

Finances of Henry V

Shakespeare's Henry V is not Batman, it is a relatively low budget movie (£4.5m), and there will be no T-shirts to go with it. "We thought about that," said Stephen Evans, the stockbroker who helped raise the money for the production, "but decided it would only bring in another £50,000 -

Yet in a lot of other respects it is seeking to play in the Bat-man league. Take the release arrangements, for example. Perhaps for the first few months it will be shown in London only at the two Curzon cinemas: in the regions it will be at a number of Odeons. There are similarly careful arrangements for release in the US.

Then there is the music. Batman had Prince, available in the shops well before the movie reached the cinemas. Henry V has music by Pat Doyle, which will go on sale later this week. Doyle is a not very

well-known actor, who has had several shots at writing music for Shakespeare plays over the years. He was offered a go at Henry V because he was a friend of Kenneth Branagh, the producer and the man who plays the King. Almost everyone else standards to follow: the music

involved thought that he would fail, and there were high for the previous movie of Henry V. starring Laurence Olivier, was composed by Sir William Walton. Doyle's effort, however, was acclaimed by Simon Rattle, no less, who has conducted it with his City of Birmingham Symphony Orchestra.

This is Evans's first film venture, though he has already raised funds for Branagh's theatre productions under Renaissance Plays. The new company is called Renaissance Films, and Evans is chairman. He says that he became tired

OBSERVER

of being an ordinary stockbro-ker, but still keeps corporate clients to be on the safe side. Branagh played Guy Pringle in the television series For-tunes of War and Jimmy Porter in the recent revival of

Look Back in Anger and is now married to Emma Thompson. He was suspicious of Evans at first, as a stockbroker. Once the money was raised mainly through Evans getting underwriting from old friends in the City at a minimum of £100,000 – the relationship flourished. "Branagh would be a better businessman than I am, if he ever went into it,"

Henry V won its first prize at the Brighton Film Festival last weekend. If it is a commer cial success, an intelligent guess might be that Hamlet will follow.

Not just late ■ A notable absentee from the

says Evans.

the Social and Liberal Democrats' conference in Brighton this week is Shirley Williams. Although she no longer holds an official post in the party, she remains one of its most valuable assets. According to reports circu-

lating in the conference hall yesterday, a confusion of dates led to her being in Japan as her party, including Lord Jen-kins, a fomer colleague in the last Labour Cabinet, assembled at the seaside. Apparently Wil-liams was under the impression that the conference was planned for next week - in

Salomon star ■ Such are the effects of jet lag that Ronald M Freeman. the new man at Salomon Brothers International, announced: "I only arrove yesterday", and repeated it three



by access to an alternative ver-

sion of events from West Ger-

The economy is not without

man television.

"I suspect we haven't enough members for a sex surtimes before getting it right. Freeman was at his desk

as the newly-appointed Head of European Investment Bank-ing at Salomon's London office on Monday morning, and the post has been clearly upgraded. Not only is Freeman a senior partner, he must also

be very expensive. He says that he was actually hired for the job in December 1972 when he was working for McKinsey in Paris. He was invited to New York for three weeks to learn the ropes, but then stayed and stayed. Those were the days of high oil prices and large scale investments of oil money; they were also the days before leveraged buyouts. Freeman created the project financing group, and went on to found and lead the energy group. He has worked with all seven sisters in the oil industry in his time.

More recently, as managing director and co-head of Salomon Brothers' Strategic Services Group, he has been deeply involved in mergers and acquisitions. "I tend to be thought of as someone who

does M&As," he said yesterday, "whereas I like to think that I just try to look after clients."
The move to London was finally suggested at the end of July. The London weather was freakishly good. Holland Park also seemed more civilized than their tractic New York. lised than their street in New York, which had social problems. Freeman's wife, a pure New Yorker, fell for the place at once. Freeman's mother is French and he speaks the language fluently. He will spend about half his time in London and the rest travelling. "At 50," he says, "you either move up or move out." Freeman has moved up. Charles McVeigh, the chairman, will continue to concentrate mainly on UK matters.

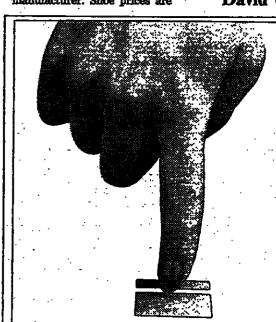
> Out of favour ■ Travellers on a British Airways flight from Nairobi to London last week asked the cabin crew for complaints forms to register a variety of grievances. The world's favour-ite airline had run out.

Real Rio

■ Brazil is fond of Brazilianizing English words. Launche, for example, is a snack – eaten, of course, in a launcheonette. If you want to go dancing but are not a member of an expensive club, you go to a foro — a dance hall open "for all". But it takes a while to spot the origin of the all-pur-pose pill universally used to cure the symptoms of the morning after the night before. It is called engov.

Musical porn

m From the staff magazine of a Leeds company: "But no mat-ter what part of the world I am in, if I feel depressed I take out my cassette player and listen to the immortal strains of Beethoven's Filth." Not to be confused with his Erotica.



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LETTERS

No tidy solution to the problem of compensation

Sir, I was concerned to read your leader (August 25) on compensation for investors.
You suggest that it no longer
makes sense for life companies to have a separate compensation scheme, and that claims against defaulting life compa-nies should be transferred from the Policyholders' Protection Board to the Securities and Investment Board's Investors Compensation Scheme.

I can appreciate that the apparent fidiness of such an approach could be appealing, but the issue is really very much more complex than this. Although life insurance competes for savings with other financial services, most policies issued contain a signifi-cant element of guaranteed life

'The fault lies in CGT itself'

From Sir Nicholas Goodis Sir, Your correspondents, Mr R.E. Farris and Mr R.A. Lucas (Letters, September 2, 6), make a good point. It is indeed objectionable that taxable investors in a cash takeover are subjected unwillingly to capital gains tax (CGT); and that it is often the decisions of untaxed investors which put them in

this position. But Mr Lucas's solution is too complex, and does not strike at the root of the prob-

lem. The basic fault lies in the levy of CGT itself. Why should someone who sells shares and re-invests in other shares, leaving his money vested in industry or commerce, be taxed for doing so? He has not realised any savings for consumption. In a country which depends on industry and commerce it is a distortion to tax this sort of exchange, while exempting

other assets such as housing.
It is also odd that a Government which wants to encourage more direct personal investment in shares should drive people to investing through institutions which do

From Mr Gordon Rawlins. Sir. On behalf, of the 15,000

managers in membership of

this institution, I must com-

ment on "The teaching of man-

agers" (Leader, September 1).
Although the MBA level is

important in its own right for the minority, it is at least

equally necessary to provide

relevant training for the major-

ity — the many hundreds of thousands of managers with no

aspirations to master's degree

level, and the 90,000 people

who, each year, enter manage-

It is precisely within the

framework of the Management Charter Initiative (not away

from it, as you suggest), with

its emphasis on competency-

based learning, that a selection of courses relevant to the

work-place, which mix theory

with practice, is being devised. Furthermore, this manage-ment institution is very much

in touch with the real world."

That is why we have recently launched the UK's first compe-

tency-based management development programme. Based on continuous assess-

ment, and directly related to people's work, it allows entry

and exit at all levels and con-

centrates on the operations

The Institution of Industrial

Sir. Your leader on the

American MBA programmes

teaching of managers (September 1) risks reinforcing both parochialism and élitism.

66 Little Ealing Lane, W5

From Mr Bruce Lloyd.

managers who are directly responsible for the efficient use

of resources. Gordon Rawlins,

ment for the first time.

Managing management

not pay CGT on a similar exchange of investments. Nicholas Goodison, Chairman, TSB Group,

25 Milk Street, EC2

ferent category from other claim against two separate investments covered by the schemes.

SIB compensation scheme, and To bring life companies anchors life business firmly in the world of insurance.

Nor would transferring compensation claims against life companies to the investors' Compensation Scheme produce a tidy solution. The Policyholders' Protection Act (PPA) cannot simply be repealed. Apart from the question of general business, by no means all life insurance policies are defined as investments under the Financial Services Act, and those which are not would have to stay within the scope of the PPA. Life companies would find themselves contri-buting to two schemes rather

To bring life companies within the SIB scheme would also limit the protection available to policyholders and beneficiaries, both because of the monetary limits of £100m in aggregate and £48,000 in individual cases, and because the PRA does not distinguish between life policies taken out by bodies corporate and those taken out by individuals. At the end of the day, the PPA protects the beneficiary of an insured group life or pension

I cannot stress sufficiently that, in the event of the life offices baving to contribute to the SIB compensation sche the cost of bailing out those who have chosen a less pru-dent form of investment will

fall principally on policyhold-

In the case of mutual life insurance companies, there is no other possibility. The Policyholders' Protection Act is just one of the reasons why life insurance, in addition to providing protection, is a safer vehicle than many others, and this should be reflected in the advice given by financial advis-

The interests of life insurance company policyholders dictate that the SIB's proposal should be withdrawn, and that the Policyholders Protection Act should not be repealed or

T.J. Palmer, Chairman, Association of British Insurers. mary House

PEP is personal

Quieen Street, EC4

From Mr Philip Chappell.
Sir, Very reasonably, Mr White (Letters, September 8) asks why he cannot run his own personal equity plan (PEP). The answer is simple: PEPs can be operated only by plan managers, and the Trea-sury has decreed that plan managers must be persons authorised under the Financial

Services Act.
This is clearly absurd - Mr White does not appear to wish to give investment advice, merely to do his own thing. Quite apart from the inevitable

costs involved, this restriction creates a barrier between Mr White and his shareholding. Once again the cause of wider share ownership is defeated by this Government's

policy of giving positive fiscal discrimination in favour of the investment oligarchs of institutional management.
The Inland Revenue may reply that it could not policy the tax returns for a million or more individual PEP holders; how strange that it does argue thus when the Government itself pays out interest gross on its National Savings products. Philip Chappell, Association of Investment Trust

Companies, Park House, (6th floor), 16 Finsbury Circus, EC2

than to one, and in the unlikely event of insolvency policyholders would have to PSSST, WANNA BUY A PHONE NUMBER?

Numbers of numbers needed Sir, Hugo Dixon warns (Sep-tember 4) that "the nation's stationery would have to be reprinted, vans would need new liveries and address books would need updating" if the Ovum proposal to add an extra digit in front of all dialling

codes is accepted. In London it would be simpler to retain the existing 01 numbers, and use 081 to cater for the new demand.

John M. Hunter, Octagon Telecommunications Services,

200 Tottenham Court Road, W1 From Mr J.P. Fletcher. Sir, inventing the telephone was interesting; inventing a pair of telephones was a big step forward; inventing the telephone directory, giving

America (and many other parts of the world) there is an under-

lying assumption that a sub-stantial proportion of the popu-

lation (if not the majority) is

given the physical opportuni-ties and if they are sufficiently

What the UK needs is wide-

spread support for extensive

motivated.

4,000 numbers for just 100 telephones. Not a half-hearted expansion, but at least a 10-fold increase in numbers is required just to take us up to

was the real breakthrough.

100 years on, uniqueness of the numbers still relies on the switchboard operator. The new

type of telephone, able to carry

voice and data, cannot be used by most businesses because their switchboards cannot han-

dle data calls, which must be

A typical small business

would need 20 telephones, 6 lines and 40 numbers; a large business might require local

call access to 100 central

employees from 40 large cities over a private network, using

dialled direct.

the end of the century. J.P. Fletcher. 17 Gordon Road, Wealdstone, every user a unique number,

Help for Poland

From Mr Ira L. Straus. Sir. Thank-you-for your extraordinary editorial on Poland (August 31). It was magisterial in establishing the criteria for evaluating Western capable of getting university level qualifications if they are policy choices - that this is the historic challenge which will determine whether other countries will want to follow Poland's course, or whether all hopes for a peaceful transition out of communism will be dashed - and brilliant in its policy suggestions. I notice an undertone of irri-

West against Soviet Commu-

nist aggression is worth \$400bn a year, then the phasing out of

Communism in favour of democracy would easily be

worth, on sound investment principles, \$2 trillion. Because Poland counts for one-tenth of

the Soviet bloc, its peaceful "de-communisation" should be

worth at least \$200bn to the

West - actually much more, because its fate will set a deci-

That does not mean that an

attempt should be made to find

ways to spend \$200bn on Poland. It means that if there

are good ways to spend money

to improve prospects for suc-cess in de-communising Poland, it should be done on

As to how to increase the likelihood that the money

any scale up to \$200bn.

sive example for the others.

part-time management pro-grammes. The potential resources going into reinforc-ing Oxbridge elitism would be much better invested in new tation about the penny-pinchers in the White House. It is understandable that you opportunities in areas of relative educational deprivation, particularly in the critical management subjects. should have finally given vent, with great British restraint, to your anger on this. The petti-ness of US policy on Poland is It is to be hoped that the industrial decisions concerned with supporting the Cambridge gusting, its unseriousness is initiative are based on a ratio-nal analysis of the wider needs, and all the options, and not on frightening. At a vital turn in the road, the main driver in the West is asleep at the wheel
A quick calculation can put
help for Poland in financial the traditional capacity of Oxhridge to exploit its power-ful nepotistic networks. context. If the defence of the

History has ingrained many habits into our culture which seem hard to change, it should not be forgotten that managing change is at the very core of what management is about. Many of our institutions, and the individuals within them, are still too "production driven" rather than "customer

One way this still shows is the way the word teaching, rather than learning, is still used. Only when this subtle (but important) difference is accepted will the whole nation begin to get its educational pri-orities matched to the needs of the 1990s - let alone the next century. Bruce Lloyd, have certainly made mistakes
- like everyone else. But in

South Bank Polytechnic, 156-58 Clapham Common,

spent will be spent well, it would be hard to improve on your suggestion of drawing Poland into the European Free Trade Association (EFTA) and the Organisation of Economic reanisation of Co-operation and Development (OECD), and giving the EC a main supervisory role alongside the International Monetary Fund. The mediating and confidence-building roles of the western international institutions are needed to make a

"soft landing" possible.
They will be even more needed by the Soviet Union, standing atop the shaky heights of empire as well as the heights of tyranny and command economy, than by Poland. It would be a brilliant stroke for Poland to demonstrate this way of climbing down into the world: it would prepare the ground for a "soft landing" for the entire Soviet

Because rapid lump sum reforms will be needed at some points, the integration into western institutions will also have to be rapid at some points, to ease the transitional pains before they can cause a social explosion. The interna-tional institutions (not known for a timely pace) need to begin their preparations.

It would be nice to believe that the US Administration has

read your editorial and weighted its proposals care fully. Barring that, one can only hope that the Administration will get a whiff of common sense, and begin to treat the Polish question with the gravitas it deserves.
Ira L. Straus,
Executive Director, Association to Unite the Democracies,
1506 Pennsylvania Avenue SE,

Washington, DC 20003

'The prize in this race is a poisoned chalice' From Mr Jonathan Hoffman.

Sir, Your leader (September 8) rightly argues that dirigiste attempts to remove market imperfections in the European fiscal sphere will only make matters worse. When considering the appro-

priate route to a common currency, choosing the right way to deal with the shortcomings of the market is also important. A front-runner as a "Delors alternative" (Samuel Brittan's "Economic Viewpoint," September 7) is to abolish exchange controls and the legal tender laws, allow the use of all EC currencles throughout the 12, and let the best man win.

But the lesson of history is that the prize in this race is a Poisoned chalice. Countries whose currencies have served as reserve assets have been forced sooner or later to con-front the inherent inconsis-

tency within reserve currency status. International demand for such a medium is satisfied only if there is a constant "deficit" on the non-official items in the issuing country's bal-ance of payments — the sum of trade flows and capital flows. But the very existence of the

"deficit" undermines confi-dence in the currency's future exchange-rate stability. The only benefit of reserve currency status is the ability of the reserve country to increase domestic consumption by dint of persuading foreigners voluntarily to accumulate its money. Time after time governments have decided that the game is not worth the candle.

As for the most likely "best man" (the Deutsche Mark), the Bundesbank has fiercely resisted the German money's emergence as a reserve currency, because of the potential threat posed by foreign DM

balances for German price sta-bility. They dissuade other central banks from holding in their reserves anything more than "working balances" of DM, and aim to minimise foreign non-official holding - for example, by ensuring that all foreign DM bond issues are done within Germany.

To a certain extent this strat-

egy has succeeded: what statistics there are show that the DM's international importance is less than commensurate with the relative size of the German economy. A consistent deficit on non-official items in the balance of payments (the condition needed for adequate provision of reserves) is most unlikely.

With a rapidly ageing population placing savings abroad to finance retirement, capital outflows from Germany might exceed capital inflows for some

must be set the endemic cur rent account surplus, resulting from a combination of a high German saving ratio and other countries' demand for German investment goods.
Indeed, German anxiety tha

sterling should become a full ERM (exchange rate mechanism) member may well be because of the wish to have a bi-polar system - to "share the burden" of the European reserve currency, with the aim of dispersing flows into and out of Europe which would otherwise be concentrated on the DM. Reserve currency status has proved a burden, not a privilege, and as such must be shared. Only by recognising this fundamental will genuine progress in the currency sphere towards European economic union be possible. Jonathan M. Hoffman, Credit Suisse First Boston

FOREIGN AFFAIRS

Redefinition of America's vital interest

Edward Mortimer analyses the rhetoric and the reality of the

civil war in Lebanon take sides by accrediting its new ambassador to his govern-ment, and it was clearly uncomfortable with the fact that the ambassador, for security reasons, had to confine his presence and therefore his political contacts to the Christian side of the line - especially as America's only real remaining interest in Lebanon is the fate of the US hostages, who are on the Moslem side. Hence General Aoun's bitter

id anyone believe Ron

ald Reagan in 1983 when he said the "vital

interests" of America and the

West were at stake in Leba-non? Did he believe it himself? If so, he changed his mind soon afterwards when he pulled our

the Marines, leaving his pro-tege, President Amin Gemayel, to capitulate to the Syrians by tearing up the Israeli-Lebanese

agreement which Secretary of State George Shultz had so

painstakingly negotiated. That happened in an election year. Yet Mr Reagan was tri-

umphantly re-elected after a

campaign in which the ques-tion "who lost Iran?" figured somewhat ("it didn't happen on my watch," declared the

incumbent smugly) but no one

bothered to ask "who lost Leb-anon?" Clearly the American

people did not believe anything

more had been at stake there

than the lives of the unfortu-

West Beirut had become

unsafe for Americans, and Mr

Reagan moved his embassy to

the Christian east. Now Presi-

dent Bush has pulled it out of there too, without (so far) find-

ing it necessary to make any personal statement on the mat-

ter. A State Department spokeswoman, Ms Margaret Tutwiler, again gave the safety

of US personnel as the reason

for the move, after Lebanese Christians blocked the gates of the embassy and talked of cut-ting off its water and fuel sup-

plies "to give the Americans a taste of the blockade the Leb-

anese have been subjected to

those Christians was clearly

genuine, being the fruit of deep disillusionment. They alone, it

seems, had been taken in by

Mr Reagan's rhetoric. They believed that the West's vital

interests really were at stake in Lebanon, and therefore that the West would come to their

aid as soon as they showed real

willingness to fight. On this analysis, the American pull-out

in 1984 reflected a lack of confi-

dence in President Gemayel,

not lack of interest in Lebanon

as such, and things would be different now that Lebanon

had a really determined leader

But things are not different, or rather the difference is that

the US administration no lon-

ger believes, as it did in

1982-83, that the Christian-led

Lebanese army is the core around which Lebanese sover-

eignty and territorial integrity

could be rebuilt. At least Amin

Gemayel, whatever his weak-nesses, was recognised by all parties as the legitimately

elected head of the Lebanese

state. By contrast, General

Michel Aoun's title of "prime

minister" is recognised only

within the Christian enclave.

The US was not prepared to

The anger and bitterness of

by Syria."

nate Marines themselves.

comment to Le Figaro that perhaps he should take 20 American hostages." Which Ms

rest of the Arab world. In the late 1960s and in the 1970s, the presence of an armed Palestinian movement in Lebanon was seen by the Christian establishment as an affront to Lebanese sovereignty, but by the Moslems as an opportunity to seek a redistribution of power in their favour. In that phase the Christians claimed to be fighting to free Lebanon from Palestinian occupation, and in 1976 they welcomed Syria's inter-

vention to prevent the triumph of the Palestinian-leftist-Mos-

Tutwiler cited as a reason for Alliances in Lebanon are infinitely variable, but certain withdrawing the embassy. It is Alliances in Lebanon are

infinitely variable, but certain

Arab antagonisms are a constant

scarcely credible that the US could have taken this as a serious threat. No doubt in this case, as in the withdrawal from Kabul at the beginning of the year, security grounds were used as a pretext for a decision which was in fact political. In Kabul, the US was deliber-

ately breaking all contact with a regime which it hoped and believed was about to be swept away. General Aoun might per-haps take heart from the fact that eight months later that regime is still in place and holding its own. Certainly he shows no sign of losing heart. But it cannot be very comfortable for him to find himself relying exclusively on the Arab world for support.

In earlier phases of the struggle Lebanese nationalism (mainly Christian) was thwarted by the fact that Lebanese Moslems were more sus-ceptible to Arab nationalism and received support from the

Arab antagonisms seem to be a constant. Apart from one brief and abortive reconciliation in 1978, the rival wings of the Baath party in power in Damascus and Baghdad since the 1960s have been implacable enemies. There has also been no love lost for many years between Syria's President Hafez al-Assad and the leader of the Palestine Liberation Organisation, Mr Yassir Ara-fat. Hence the PLO's enthusiastic support for General Aoun in his "war of liberation." Such support is of course transparently, nay indecently, opportunistic: but also reflects the fact that the Palestinian nationalist movement, like the Lebanese. is struggling to free itself from Syrian hegemony.

The week before last, how-

ever, President Assad and Mr Arafat could be seen smiling and holding hands at the 20th birthday party of Colonel Gaddafi's revolution. Mr Assad

also had talks with the heads of state of the three countries participating in the Arab League's mediation effort in Lebanon – Algeria, Morocco and Saudi Arabia. A month ago, those countries abandoned the effort, citing Syrian obsti-nacy as one of the main reasons for the deadlock. Now they are about to have another try, on terms which reportedly exclude any reference to the withdrawal of Syrian troops. It looks as though Mr Assad will get his way, and that the only hope for a durable ceasefire, let alone a solution, is for the Christians to accept that a political agreement between Lebanese parties has to come before a Syrian withdrawal,

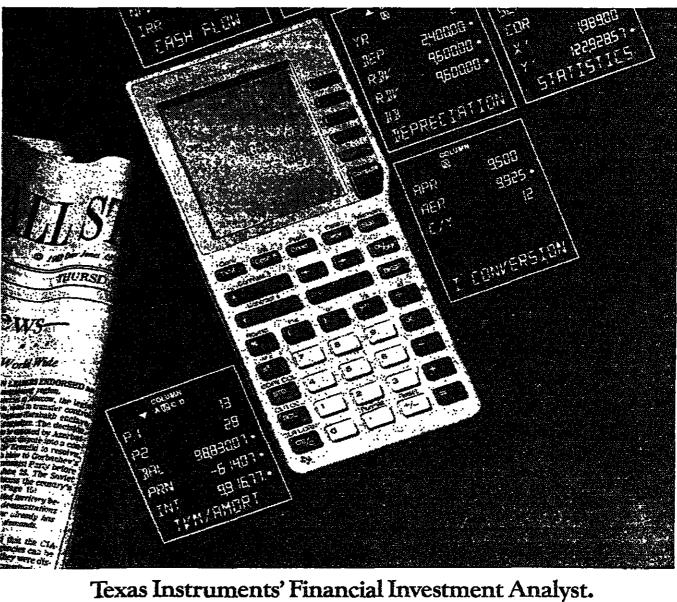
not the other way round. No one could claim that Syria's policy in Lebanon has been anything but brutally self-interested. But certain facts should be kept in mind: • In this summer's shelling more civilians have been killed in west Beirut by General Aoun's artillery than in east Beirut by Syrian artillery. It is mainly Moslem areas
that are occupied by Syrian
troops. Syria has not tried to
overrun the Christian enclave;

it has merely shelled it in response to General Aoun's attempts to "liberate" the rest by different Shiite. Druze, fundamentalist Sunni and dissi-

 The Syrian-occupied area is a mosaic of territory controlled dent Christian militias. The Syrians have not done a great job at restoring order, but their withdrawal without a political solution would be the signal for a bloodbath just as surely

as British withdrawal from Northern Ireland. Clearly the suffering of ordinary Lebanese people is appall-ing, and we all could and should do more to bring them humanitarian aid. Equally, dip-lomatic efforts to bring about a ceasefire and a political solu-tion should be unremitting. They should include attempts to stop arms reaching the contestants - which means put-ting the squeeze on both Syria and Iraq, a task mainly for the Soviet Union - but also per-suading Israel to accept full withdrawal from the south as part of the package, and to resist the temptation to keep the war going in Lebanon as a drain on Arab energy and resources.

As for suggestions of UN or other intervention to disarm the Lebanese combatants or drive out the "invaders," these amount to a call for a re-run of the Korean War in the Middle East. It is hard to see that as a solution, but in any case it is not going to happen. To encourage anyone in Lebanon to think it might is likely only to prolong the bloodshed.



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FINANCIAL TIMES

Tuesday September 12 1989

TROLLOPE & COLLS 01-689 2266

MINERS FEAR MOSCOW WILL BREAK PROMISES

Soviet strikers may form independent union

By Quentin Peel in Moscow

LEADERS of the July miners' strike in the Soviet Union met in Moscow yesterday to form a National Union of Strike Committees – the most serious move yet towards the develop-ment of a genuine independent union movement.

The 140 representatives of strike committees from Don-bas, the country's largest coal mining region in the Ukraine, to the pits of northern and cen-tral Siberia met for the first time to draft a list of demands before a full-scale plenum of the official Miners' Union which opens today.

The strike committees are still debating whether they should operate within a radically reformed official system
- or form a fully fledged rival

Already, work collectives at mines in all the big coalfields

have been voted out of office almost wholesale and replaced by strike leaders. However both the trade union leadership and Communist Party offi-cials argue that the official trade unions can change their image and role as docile creatures of the Communist Party

and state bureaucracy.
The national strike committee meeting comes as the offi-cial union leaders desperately attempt to do just that by drawing up radical demands for a price freeze, controls on co-operative ventures and the like. They held the annual ple-num of the All-Union Central Council of Trade Unions only last week.

However, speaker after speaker at the strike leaders' meeting, held with official blessing in the basement of the Sputnik Hotel, angrily criticised the union leaders, calling for a vote of no confidence in

Mr Valentin Medvedev, the only official of the Miners' Union to attend, was openly warned that if the strike committees were not given a "deci-sive voice," they would set up their own independent move-

They also denounced the Supreme Soviet - the country's increasingly outspoken parliament - for not planning another big debate on their strike demands during the autumn session. Many strike leaders are now

expressing doubt that the Soviet Government will fulfil its promises to meet their demands, including higher wages, higher pithead coal prices, and wide-ranging finan-cial independence for each

There was no mention of President Mikhail Gorbachev's latest appeal for workers not to use the strike weapon in their battle for reform of the Soviet political and economic system. However, there were two positive moves for the Soviet leader, when nationalist strik-ers in both Azerbaijan and Moldavia agreed to go back to

The former, organised by the Azerbaijan Popular Front, have been promised official recogni-tion, and an emergency session of the republican Supreme Soviet on Friday to discuss

their grievances.

The Moldavian strikers, largely Russians and Ukrainians protesting against a law making Moldavian the official republican language, dropped their protest saying the law had been adequately amended.

Companies

identified in

scandal

Italian bank

By Alan Friedman in Milan

Investigators in Rome have

identified more than 20 Brit-ish, US and Italian companies which they believe were involved in trade with Iraq in militarily useful equipment

and technology financed by some \$200m of export credits from the Atlanta, Georgia

branch of Banca Nazionale del Lavoro (BNL). Until now only a handful of companies and around \$100m were thought to

Ferranti's signal catastrophe

BAT Industries

Any lingering suspicion that Ferranti's recent dismal performance has been more a case of bad luck than bad manage-ment will have been squashed by yesterday's precipitate action. The postponment of the annual general meeting is a minor irritation but for a major British company to ask for the suspension of trading in its shares for an indefinite period, presumably because it is wortled that there will be a false market, shows that the management does not know what is going on. What makes this particularly embarrassing, is that it is only a month since

the company's auditors and directors gave their blessing to the latest report and accounts. The deplorable lack of information with yesterday's statement means that the City has little way of knowing just how bad the news is; but the fact that it was felt sufficiently serious to warrant the share susnension is ominous. Ferranti's merger with the secretive ISC never seemed to make a lot of sense, and the management's strategy looks especially ques-tionable now that it has stum-bled on a black hole in the carrying value of some of ISC's overseas contracts. Ferranti is already relatively highly geared, given its future com-mitments, so the possibility

that its balance sheet ratios will be stretched further by the need to make substantial write-offs is ratherfrightening. In terms of its stock market capitalisation of £550m, Ferranti is a relatively minor player. But its strategic importance means that the Ministry of Defence will probably be even more concerned than the institutions about its future prospects. The pressure to find a wealthy new partner/owner for Ferranti is on, which

should provide some comfort for the shares when they even-tually resume trading. BAT/Hoylake

It would all be so much easier if the Takeover Panel had dealt before with anything like Hoylake's travails with the US insurance regulators responsible for BAT's Farmers subsidiary. Yet the Panel has no exact precedents in considering this week whether Hoylake can try to clear the regulatory hurdles by lapsing its bid for BAT, then trying again before the end of the usual 12month waiting period.

Some of BAT's largest share-holders feel the Panel should make it clear that foreign regu-

Share price (pence) 750 مبيل 1989

lators cannot cripple UK bids. The point is very fair, but it would be dangerous for the Panel's ruling to hinge upon it. As regards European regula-tors, the issues are being thrashed out in the EC's deliberations over its 13th directive on takeovers. As for the US, the number of different regulators and law courts gives the Panel no alternative but to deal with each individual bid situation as it arises.

In general the Panel may allow a bidder extra time if it feels that keeping rigidly to the normal timetable would mean depriving shareholders of a proper chance to consider the bid. In the Hoylake case, the Panel's decision is subject to a big if. There is a formidable pile of documents, consisting of Hoylake's and BAT's correspondence with the insurance commissioners. If the record shows Hoylake has genuinely shows Hoylake has genuinely done all it can to speed its US regulatory approvals, and still cannot meet the UK bid timetable, the Panel should agree to its request. If not, the bid should follow the normal timetable. It will then be up to HATs institutional shareholders to take over the initiative ers to take over the initiative from Sir James Goldsmith if they want BAT undbundled.

New Issues

The British love queueing, so it ought to be no surprise that the City's new issue queue is back after a brief six month hiatus. It would, of course, be terribly embarrassing for two banks to start calling the institutional underwriters on the same day, although given the current level of activity in the departments ought to be only too glad of the business.

This is admittedly a modified

front. The old first come, first served system is perhaps too polite for these thrusting Thatcherite times. But if the queue works, then the regulators will have inched a little closer to their ideal — an "orderly market". Sadly, creating a profitable market will require a little more ingenuity.

Meggitt/USH

United Scientific has been a company ripe for takeover for two to three years — but whether Meggitt is the best candidate as a predator is another question. Not long ago, Meggitt seemed to be playing down its defence ambitions and USH, as illustrated by the disposal of OEC, is trying to reduce its overdependence on the sector. Now suddenly, Megthe sector. Now suddenly, Meggitt plans to create a combined group with 40-45 per cent of its business in defence, and to allow acquisitions to restore the balance. This enthusiasm sits oddly with Meggitt's unwillingness to break out the contribution from defence in its interim figures.

The industrial arguments for merger are fairly trivial – the odd related component here and there in a multi-billion dollar market - and even a com-bined Meggitt/USH will still be a minnow when compared with the leading players in the sector. The key issue is whether Meggitt's management can make sufficient improvements at USH to avoid any earnings dilution, or whether USH's problems are so deep as to defy solution. Despite its successful record of turning round trou-hled acquisitions, Meggitt may find that the louder it pro-claims the advantages of the USH deal, the more quickly a rival bidder is stirred from slumber to make a counter-of-

Cellular phones

The muted reaction of the British Telecom and Racai Telecom share prices to the sight of another massive bid in the US cellular phone industry had more to do with uncertainties about valuing the complex deal than anything else. It is good news for Racal Telecom since it shows that knowledge able bidders are still not afraid market, most corporate finance is not quite such good news departments ought to be only since if it really wants to become a world leader in the industry, it will have to per-suade its US partner to outhid queue, in which the big boys can still push in, so long as they notify the Old Lady at the larger than BT itself.

Toshiba holds back exports of computer

By Ian Rodger in Tokyo

TOSHIBA, the Japanese would probably like the electrical group which was at the centre of an emotional trade row with the US two years ago, says it is holding back exports of its new laptop personal computer, Dynabook, for fear of sparking off new trade frictions.

Dynabook has been a runaway sales success since it was introduced in the Japanese market less than two months ago, mainly because of its remarkably low price, Y200,000 (\$1,360).

Toshiba, which deliberately pitched the price low in a bid to expand Japan's stunted per-sonal computer market, has raised its initial sales forecast from 60,000 units to 90,000 units over the eight-month US and European consumers kets because of trade policy

By Maggie Ford in Seoul

MR Robert Mosbacher, the US

Commerce Secretary, yester-day applauded South Korea's

performance in opening its markets and said the two coun-

tries shared similar views and

were working together as trad-

ing partners.

In a pointed comparison he

said he intended to deliver a

strong message in Japan later this week about closed markets

and the need for a commitment

that kind of message to deliver in Korea," Mr Mosbacher said.

"Our trade deficit with Korea, while substantial, is not the

same cause for alarm as our

did, however, identify several areas still needing action by Seoul, including protection for

intellectual property rights,

agricultural and telecommuni-

The Commerce Secretary

immense deficit with Japan.

"Thankfully, I don't have

to free trade.

machine too, because it is compact, IBM-PC compatible and has a very clear video display. But Toshiba claims it is afraid to introduce an export version (with the Japanese language facilities removed) for fear of provoking competitors in the US and Europe into political action. At the moment, the company has no plans for introducing it in the US or

"We do not want to make trouble," Mr Tetsuya Mizogu-chi, the division executive responsible for Toshiba's highly successful laptop com-puter business, said in an interview yesterday.

This may be the first case of a new product being held back from US and European mar-

He said Seoul needed further

to open its market in services,

including transport advertising

and accounting, and to reduce red tape restricting imports.

protection for balance of payments reasons under the procedures of the General Agree-

ment on Tariffs and Trade could not be justified any lon-

more high technology to make the leap to full advanced coun-

try status, and the protection

of intellectual property rights was essential if such technology was to be transferred, Mr Mosbacher argued.

He welcomed the agreement reached in Washington between the two countries on

driftnet fishing in the Pacific

and on the protection of sensi-tive technology.

Mr Mosbacher's praise will

South Korea would need

South Korea's request for

considerations. While Toshiba's anxiety may seem excessive or disingenuous, it is not without foundation. Two years ago, US congressmen smashed a Toshiba boom box on the lawn in front of Capitol Hill in protest against the illegal export by a Toshiba affiliate of machine tools to the Soviet

Also, the company is still prevented from exporting nany of its products, including laptop computers, to the US because of sanctions applied by the US Government on various Japanese exports two years ago in retaliation for alleged Japanese infringements of a 1986 bilateral semiconductor

trade pact.
The problem with the Dynabook is its price. If the com-pany offered it in the US and

ters who have been under

exceptional pressure from big

companies to take measures to

boost exports. Companies have complained that the apprecia-

tion of the won currency and

large pay rises have weakened

South Korea registered a

current account surplus of \$2.9bn in the first half of this

The trade surplus reached \$2.4bn compared with last

year's \$5.6bn. Exports rose 5.5

per cent compared with a 27.8 per cent rise last year. Officials have resisted the pressure.

arguing that the huge increases in the past were

Companies must make

adjustments such as moving

into higher technology goods

and relocating lower quality

industries offshore to lower

the same period in 1988.

unsustainable.

Europe, it would have to set a price not far from the Japanese price: in the range of \$1,360. However, the closest competitive product in the US, introduced recently by the troubled Zenith Corporation, retails for about \$2.000. about \$2,000.

individual pit, by the deadline of October 1. The more radical

coal fields - such as Vorkuta

in the far north, and the Kuz-

bas in central Siberia - are already threatening to walk out again if the deal is not in

An important target of the miners' anger is Mr Stepan Shalayev, chairman of the All-

Union Council of Trade Unions, who admitted last week that there was a growing "crisis of trust" in the official

The potential political impact of the strike committees was underlined by the

presence at yesterday's meeting of Dr Gavrill Popov, a leading organiser of the radical deputies' Inter-regional Group in the Congress of People's

Deputies, the parent body of the Supreme Soviet.

unions.

Given the strong demand at home, Toshiba is in no hurry to introduce it overseas. Also, the company's existing T1000 series of laptops already provide most of the features of the hypoth for overseas custom. Dynabook for overseas customers. Mr Mizoguchi denied that the company was delaying introducing the Dynabook abroad because it wanted to protect the market for the T1000 series. "I think the T1000 would continue to sell well. It is a lower-range product; we have just reduced the US price to \$999".

be involved.

The discoveries come as concern grows among Italian Government officials that Baghdad might make the payment of a total of up to \$4bn of outstanding debt owed to Italian companies conditional on the receipt of about \$920m of unused Atlanta-generated BNL US targets S Korea for praise over trade

credit lines.
This \$920m worth of commitments, now blocked by BNL, will be at the heart of a forthcoming meeting between BNL and Iraqi officials.

If BNL were to make the payments, its total Iraqi exponents, its total Iraqi exponents.

sure would rise from \$1.7bn to \$2.6bn, of which only \$720m is covered by US Commodity Credit Corporation guarantees and the rest by the Iraqi centrai bank.

The discovery of new company names that are believed to have sold "dual use" equip ment - apparently for civilian use but with military applications - has been made difficult for investigators because most of the letters of credit make only vague reference to final use for the money. Among the favoured product descriptions contained in the "heavy equipment," "raw
materials" and "engineering."
In Rome, the Iraqi embassy
said yesterday that it would

respect "all accords that are just and legal" and added that its loan dealings with BNL's Atlanta branch were all fit and proper and dated back to 1982. The Iraqi statement, which contradicts the findings of contradicts the findings of serious irregularities with the Atlanta loans by the US Federal Bureau of Investigations, US Federal Reserve, the Bank of Italy and BNL itself, also contradicts previous disclosures in Rome and Atlanta that the 2,500 unauthorised letters of credit were issued by RNL's Aflanta branch between BNL's Atlanta branch between February 1988 and July 1989. It also emerged yesterday that when the BNL scandal was first discovered in early August the Atlanta branch

was preparing to issue a fur-ther \$300m to \$400m of Iraqi During the months of June and July, BNL's Atlanta branch had issued dozens of credits each working day.

Fresh indications of BNL's

inadequate internal controls have emerged from the disclo-sure that a BNL internal auditors' report from Atlanta apparently noting irregulari-ties was sent to BNL's New York office in September 1988, but not forwarded to Rome for

Mosbacher: applause encourage South Korean miniscations imports. wage countries, they believe. Norwegian election heads for stalemate

NORWAY appeared to be heading towards political stale-mate last night according to early projections on yester-day's general election result. These suggested that both the country's largest parties - La-bour and the Conservatives - have suffered heavy losses with big gains for the right-wing Progress Party and surprisingly for the far left Socialists.

Labour's Prime Minister, Mrs Gro Harlem Brundtland, is expected to try and stay in power. Her party was projected to poll 33.4 per cent of the vote

Continued from Page 1

1988-89 accounts.

bombs and security systems in

the Middle East. ISC refused to

comment on yesterday's announcement from Ferranti

that material problems at the

Pennsylvania-based subsidiary

had prompted a review of its

Ferranti denied speculation

Ferranti stock market surprise

of the vote four years ago. Thus the Socialist bloc on

not look very promising either for Mr Jan Syse, the Conserva-

tive Party leader, in his efforts to form a non-socialist coaliand secure 62 seats in the new 165-seat parliament, a fall of 8 percentage points and a loss of nine seats on the last election. But the Socialist Party looked like getting 17 seats in the new parliament with 10.5 per cent of the vote, compared with six seats and 5.4 per cent

early projections will have 79 out of the 165 seats in parlia-ment, short of an working majority.

However the outcome did

that its problems were connected with Italy's Banca

Nazionale del Lavoro scandal over unauthorised loans for defence exports to Iraq. How-

ever, it refused to comment on speculation on the stock mar-ket that it had run into trouble

with contracts in Pakistan.

the charismatic Mr Carl I Hagen was projected to have polled 13.6 per cent of the vote and secured 23 seats, a dramatic improvement on the 3.7 per cent vote and two seats it won four years ago.
In the fierce horse trading

now likely to break out, it looks as if it will be difficult

tion government. His party looked set to lose 10 seats - down to 37 - and poll only 22.1 per cent of the vote, 7 per into a government. None of the smaller parties had particularly good performances. The Centre looked cent down on the last election. The Progress Party under likely to lose seats and its vote was expected to fall marginally, with a similar outcome for the Christian People's Party. The Liberals were expected to gain only one seat.

for Mr Syse to bring Progress and the other smaller parties

Without Progress, the non-socialist block seemed likely to have only 62 seats in the new parliament, far below what they needed to ensure a work-

Cheaper Jaguar XJ6 for US

Continued from Page 1 forecast an increase of around 10 per cent in US sales this

year following falls in both 1988 and 1987, but US sales fell 5.2 per cent to 10,837 in the first seven months.
In the same period Mercedes-Benz's US car sales have dropped by 16.2 per cent and Porsche's by 43.6 per cent.

Jaguar's profits have been hit by a series of factors. The biggest impact has come from exchange rates, however. The company's 1989 dollar revenues are hedged at \$1.70-£1.00 compared with \$1.55 last year, which automatically reduces the company's pre-tax profits by around £45m.

fresh from East Berlin, said yesterday that they expected the authorities would divert trains bound for Bulgaria via the Soviet Union rather than allow them to pass through

No matter what decision it chooses to take, Hungary's own independent stance has finally punctured the unanimity which characterised Eastern Europe's post-war policy.

Horst, a twenty-one year engineer from Dresden could only think about the West. "I

ings could fill a large shopping bag, are all skilled workers, some employed in telecommun-

Barbara, a twenty-five year computer programmer. Mr Hans Klein, the Bonn Information Minister, read out a personal message on the bor-der from Chancellor Helmut "our German compatriots."

his Christian Democrat party in Bremen yesterday, Mr Kohl said West Germany had a "duty" to welcome the East Germans as wanting to live in

BUSINESS

Graphic links with Plessey

Plessey Radar has placed an order with Ferranti Computer order with retraint Computer Systems Manufacturing and Engineering Division for the supply of graphics generators for the new National Air Traffic for the new National Arr Trainc Service Operational Display Equipment (NODE) system at Manchester sub-centre and airport on behalf of NATS. The VARS-X graphics generator provides the man-machine interface for the air traffic control operators and

traffic control operators and gives a flexible, modern display for the air traffic controllers, based on raster technology.

Friend or Foe

Cardion Electronics of Long Island, New York has been awarded a contract to develop an Identification Friend or Foe (IFF) interface unit for the US

(1Fr) interface unit for the US Navy. The interface unit will be used in conjunction with a new gen-eration shipboard radar dis-play (AN/SPA-25G) currently being supplied by Cardion as part of a fleetwide upgrade of combat information systems.

Ferranti International Con-

trols Corporation of Hous-ton, Texas has introduced a new integration and develop-ment control system to increase the efficiency of its software updating on the Ranger Energy Management System.
The CEGB has awarded

The CEGB has awarded Ferranti International Engineering a production contract to supply a bulk quantity of its approved LinDAR transmission network line disturbance, monitoring and fault recording systems.

- ADVERTISEMENT ----AIR TRAFFIC CONTROL

Schiphol Simulator

The National Dutch Civil by six 'pilot'/supervisor staAviation Authority (NDCA) tions. Either one integrated has enlarged its facilities for exercise can be run or the training air traffic control personnel at Schiphol with the commissioning of a new into any combination of indicommissioning of a new different types.

ATC training simulator. The different types.

The 'pilot' positions are equipped with a Ferranti designed touch sensitive plasma panel Hampshire.

The trainer has been specifiwork load during more com-

and instance by Ferranti ped with a Ferranti designed Computer Systems of Fleet, Hampshire.

The trainer has been specifically designed to provide an introduction of ATC radar control procedures before students move on to more advanced simulators or live equipments. In addition to its primary role as a basic trainer it will also be used to assess the aptitude of prospective recruits.

The system provides primary and secondary surveillance radar information to synthetic radar displays at six of ATC simulators.

These positions are supported

ROYAL NAVY Dolphin trainer

The Naval Division of to make it fully representative Ferranti Instrumentation at of the depth and course conversed a submarine auto-pilot maintainer trainer to HMS Dolphin, the Royal Navy's shore training bese in Portsmouth.

The trainer is designed to provide practical instruction on diagnostic maintenance with facilities to inject faults into the control system and monitor the trainer's performance. It has been built using operational hardware, with real time boat dynamic simulation



54 Mencheste 72 Manita 70 Melbourne

WORLD WEATHER

Bitter dispute over E German exodus Continued from Page 1

Hungary for fear of even a big-ger exodus of the country's younger generation.

never want to think about them [the East German government) again" he said. His friends, whose belong-

cations, others as teachers. "Nothing changes back there. The regime is falling apart. Why hang around. We want to start a new life" said

Kohl welcoming the emigres as At the annual conference of

"the free part of our Father-

Tuesday September 12 1989

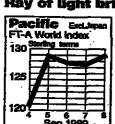


INSIDE

Meat boycott in the Middle East

Business is slow in the Abu Dhabi butcher shop of Azzam Hassan al Bayd. With a coolstore full of carcasses of Australian sheep, and customers of his shop and others throughout the Gulf deserting Australian meat products in droves, Mr al Bayd is worried. Meanwhile, the Australian Meat and Livestock Corporation is preparing to bring forward a publicity campaign to restore consumer confidence following allegations in a Gulf newspaper that the ing allegations in a Guif newspaper that live sheep exported to the Middle East are a threat to pregnant women and the camel population of the Arabian peninsula. Tony Walker reports on a dispute that threatens Australia's entire meat trade with the Middle East. Page 38

Ray of light brightens gloom



and in Tokyo took the FT-Actuaries World index into decline for the second consecutive week. However, there was consolation in Europe, where West Germany, for example, was lifted by good eco-nomic news, and in Asia

Weakness on Wall Street

Hong Kong, Malaysia and Singapore, which — having their currencles linked to the US dollar - have seen share price performance in sterling terms enhanced. Page 50

Sending out signals

The announcement of the proposed merger between the two Swiss companies, inspectorate international and Adia, is an indication of the seriousness with which inspectorate is refocusing its interests and cutting away activi-ties outside what it now defines as its core ties outside what it now defines as its core businesses. This means, says Alari Cane, that the information technology division — comprising Meridian, a US computer leasing company, and Meridian International, a European computing services company - will be among the first to go. Page 25

Dreaming amid the spires



A longstanding dream became reality yester-day, when Oxford Instruments Group, the high technology company chaired by Sir Austin Pearce (left), bought Link Scientific Group from Carlton Communiservices business. Link, Oxford's largest acquisition to date, was the

principal strategic attraction when Oxford and UEI opened unsuccessful merger talks in 1987, and Oxford approached Carlton about buying the division immediately after the TV group announced its agreed bid for UEI, the digital this year. Andrew Hill reports. Page 28

Bond shares hit fresh low

A further bout of selling yesterday took shares in Bond Corporation, the debt-burdened flag-ship of Mr Alan Bond's besleged business empire, to a fresh low of 30 cents on Australia's stock exchanges, down 10 cents on the day. The fall, which at one point pulled the shares as low as 27 cents, followed estimates that the group now has a negative net worth of as much as A\$2.29 per share, and renewed controversy over a A\$3.5bn (US\$2.7bn) plan to sell its brewery interests to the 58 per cent-owned Bell Resources. Page 25

Market Statistics

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Base lending rates -		
Benchmark Govt bonds		
European options each	÷	
FT-A Indices		
FT-A world indices	•	•
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Financial futures	•	
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London share service : London traded options London trade, options 41-45 27 27 46 27 38 47 39 46-43 Money markets New int. bond issues World commodity prices World stock mixt indices

Companies in this section

Bank of Nova Scotia Bond Corporation Bowater Industries British Vita Broadcast Comm Carlton Comms Dai Nippon Printing Daimler-Benz Davy Corp De La Rue Glamar Group

25 Mayne Nickless 22 National Telecom 25 Noble Raredon 30 Norfolk Capital Norton Opex Orkem Oxford Instruments Pancontinental Min. Rugby Group Rutland Trust SGS Sanderson Murray Scott & Robertson Sherwood Computer Spandax Suter Total-CFP United Scientific **Ward White**

Chief price changes yesterday

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US telephone groups link up

holders would end up with a 50 per cent stake in the combined cellular company, which would

serve 40 markets around America including five of the nation's top 10 cities — New York, Los Angeles, Philadelphia, Dallas and Houston. LIN's current share-

holders would also receive 100 per cent ownership of the com-pany's seven TV stations and \$20

a share in cash. Analysts said they expected LIN to finance the cash dividend by borrowing

Communications analysts on

Wall Street put the deal's apparent value to LIN shareholders at

between \$100 and \$110 a share. The new cellular company would trade between \$70 and \$80,

assuming a stock-market valua-tion of between \$190 and \$200 for each of its 46m potential sub-scribers, according to Mr Alvin Mirman of Gruntal & Co and Mr Sal Muoio of the Gabelli Fund.

But most analysts added that a merger with BellSouth would be considerably more attractive to

many shareholders than a cash bid from McCaw. The BellSouth merger would be tax-free, except for the \$20 cash dividend.

For some institutions and investors another more funda-

mental reason for favouring the

BellSouth merger would be the opportunity it would provide to retain a stake in the combined

cellular company.
"Craig McCaw has been prom-

ising to turn his company into the AT&T of the cellular business

and that was the basis for BT's \$1.4bn investment," said Mr Geoffrey Johnson of Argus Research. "Unless he can get LIN he has no chance of fulfilling his

unwelcome approach".

Based in the US for some years, Mr Franklin is best known as a former joint managing direc-

tor of Keyser Ullman, the mer-chant bank which was a victim of

the 1974 secondary banking cri-

Mystery still surrounds the other investors in Pembridge, but Mr Franklin confirmed that his business associate Sir James Goldsmith does not feature in the

list of unidentified "B", non-vot-

ing, shareholders.
DRG is expected to announce

interim pre-tax profits of about

£38m, up from £28m, tomorrow.

about \$1bn.

By Anatole Kaletsky in New York

LIN BROADCASTING, the US LIN BROADCASTING, the US cellular telephone and TV company which has rejected a \$6bn takeover bid from McCaw Cellular Communications, yesterday amounced a merger agreement with BellSouth, the "Baby Bell" local telephone operator for the southeastern US.

The complex merger deal.

The complex merger deal, which included a financial restructuring and special cash dividend for LIN shareholders, would create by far the most powerful cellular telephone business in North America and seri-

ness in North America and seriously jeopardise McCaw's hopes
of emerging as the dominant celinlar operator in the US.

Many analysts on Wall Street
predicted, however, that McCaw
would now come back with a significantly higher bid than its last
offer of \$110 a share in cash. In
mounting a higher bid, McCaw
could try to draw on new financial support from British Telecom. its 22 per cent shareholder. cial support from British Tele-com, its 22 per cent shareholder. In yesterday's deal with Bell-South, LIN said it would spin off its television operations directly to its shareholders in a separate company and pay a special cash dividend of \$20 a share. The remaining cellular operations would then take over BellSouth's cellular interests, in explance for cellular interests, in exchange for which BellSouth would receive about 54m newly-issued LIN shares, which would represent 50 per cent of the merged company's

common equity.

LIN added that it might make Ell's added that it might make Bell'south a further payment in the form of preferred stock to the extent that the net tangible assets transferred to the combined company by Bell'south exceeded those contributed by LIN by more than a specified amount

amount.
After the merger and restruct-

By Clare Pearson in London

PEMBRIDGE Investments, Bermuda vehicle for Mr Roland Franklin, the New York-based

market expectations with an

announcement that it was consid-

ering making a cash offer for

DRG, the paper and packaging group which owns the Sellotape

and Basildon Bond writing paper

Pembridge has built up a near-25 per cent stake in DRG.

valuing the company at £640m (\$992m). DRG said it could see

no commercial or industrial

logic in this unsolicited and

DRG's shares fell 14p to 590p,

Pembridge considers

cash offer for DRG

property group.

First and foremost, the company chairman and his trusty uring was completed LIN's share-

one of the most abrupt corporate
U-turns of recent years.
In the group's 1988 annual
report, after all, the prestigious

Hitherto, it was widely assumed Bloomingdale's would be sold only over the mercurial Mr Campeau's dead body.

The two men must also indicate the country must be seen to be seen as a seen as

The company is negotiating a possible US\$250m convertible secured loan with O&Y. The prisecured to an with O&Y. The privately-held property and resources group has a minority stake of about 24 per cent fully diluted in Toronto-based Campeau, besides providing two members of the 20-strong board. If fully converted, such a loan would almost certainly result in

would almost certainly result in Mr Campeau's personal stake in the company falling below the 50-per cent threshold.

On one level, the two executives' explanation will presumthly be fairly expended. almost US\$11bn (supported by

The Bloomingdale's disposal is "a last-minute fire-sale", according to Mr Walter Loeb, a retailing analyst with Morgan Stanley in New York. The continuous drain of hefty interest payments, cou-pled with the seasonal need for working capital to tide operating units over during the critical Christmas period (and the open-ing this autumn of a big new Abraham & Straus outlet in Manhattan) are clearly taking their

Campean must pay US\$400m to First Boston, or forfeit 6.96 per cent of Federated's common stock. The amount represents the unpaid portion of a US\$1.15bn bridge-loan provided last year by the underwriter to help finance the Federated deal.

intended to repay the loan with the proceeds of a US\$1.15hn junk-bond issue. But, having been poorly received, this issue was scaled down to US\$750m. Campeau had intended to make good the shortfall with some of the proceeds from a proposed

essrs Robert Campeau and Ronald Tysoe will have some explaining to Campeau Corporation, the highly leveraged Canadian retail and

chief executive must outline what precipitated the decision to put Bloomingdale's up for sale in

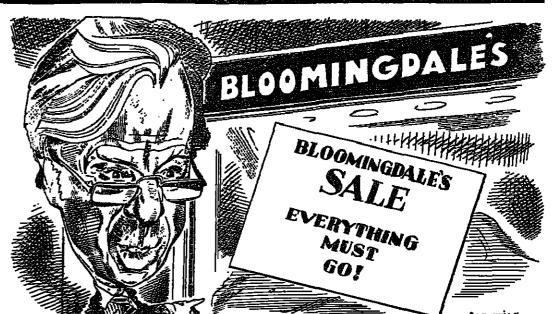
department-store chain acquired just 16 months ago in
Campeau's ambitious US\$6.6bn
purchase of Federated Department Stores - was singled out as
a division earmarked for aggressive expansion sive expansion.

cate the exact nature of the "liquidity needs" at Federated and Allied Stores - acquired for US\$3.6bn in December 1986 — that have forced Campeau to turn again to the Reichmann brothers' Olympia & York Devel-opments (O&Y) for assistance.

ably be fairly straightforward: the company's eye-popping debt burden - which weighed in at total shareholders' equity of just US\$88m) as of January 31 - is threatening to bring it to its

By September 15, moreover,

The company had originally



Robert Campeau: decision to sell Bloomingdale's represents an abrupt corporate U-turn

The winter sale that caught everyone cold

David Owen in Toronto looks at Campeau's surprise decision to sell its Bloomingdale's stores chain

the properties owned by Feder-ated and Ralphs Grocery Com-pany, the group's southern Californian supermarket division. As of this week, however, commit-ments for this refinancing had not yet been received.

These problems were viewed as serious enough on Friday to prompt Campeau shareholders to drop their stock like hot coals. The shares plummeted C\$3% to C\$18% on the Toronto Stock

Exchange on very heavy volume of more than 500,000. Many, nevertheless, expressed

surprise that they were deemed grave enough to warrant the dis-posal of the outstanding jewel in the Federated crown.

"The severity of the announcement was very surprising to me," said Mr Ross Cowan, an analyst with Levesque, Beaubien Geoffrion in Toronto. "Losing 7 per cent of Federated wouldn't be enough in isolation to explain the

events we have seen."
Such observers are accordingly casting around for possible longer-term motives. They point to two plausible alternatives. The first suggests that Cam-

Bloom of the Upper East Side

"THE GESTAPO would take away your Bloomingdale's charge card and you'd tell them everything," said Woody Allen to Diane Keaton in the film 'Annie Hall', writes Karen Zagor.

From women's underwear with the Bloomies logo boldly embossed across the bottom to the first in-store Ralph Leuren

the first in-store Ralph Lauren boutique, Bloomingdale's has been a long-time leader in department store trends.

The chain was founded in 1872 by the Bloomingdale brothers, Joseph and Lyman. In 1886 the flag-ship store moved to its present Upper East Side site, and its current full-block art deco building opened in 1931.

When the Federated Department Stores group was started in 1929, Bloomingdale's was one of the founding stores, and there are now 16 Bloomingdale's department stores in the US.

The New York store was given an early boost when a subway stationed opened immediately below its 59th street site in 1915. However, the subway stop has become something of a liability in the 1980s, as shoppers stum-ble over the sleeping homeless who make their cardboard beds on the steps leading to the sta-

14,000 people and, although about 5,000 jobs were cut at Federated after Campeau acquired the group, very few jobs were lost at Bloomingdale's. Analysts believe that the

store's operations would be basi-cally healthy without the huge debt incurred by the Campeau

Last year Bloomingdale's had turnover of just over \$1.2bn, slightly above the previous year's \$1.1bn.

peau may be taking a dimmer view of the US economic and con-sumer-spending outlook, and has decided to offload a large chunk of debt as a precautionary mea-sure. Certainly, the first indica-tions that President Bush may not be as averse as all that to raising taxes will have done little to gladden the heart of any North

American retailer.
The second holds that Mr Campean is paving the way eventually to take the group private in concert with the Reichmanns. It could cost as little as C\$200m (\$169.5m) to buy out remaining minority shareholders.

The Bloomingdale's sale — which is expected to yield between US\$1.1bn and US\$1.5bn would raise money for this purpose, as well as reduce debt.
 Ill-founded rumours that a tender offer was in prospect might explain why Campeau shares rose so sharply on Thursday morning before trading was halted pending consultation

Two particularly interested

participants in today's meeting will be Mr Edward DeBartolo, the US shopping-mall developer, and Mr Marvin Traub, the long-time chief executive of Blooming-

dale's.

Mr Traub is widely regarded as favourite to purchase Bloomingdale's, via a management buy-out. With rival bidders likely to include European and Japanese investors, as well as US groups like May Department Stores and The Limited, however, it is far from certain that a Traub offer would prevail.

Daimler accepts MBB conditions

By-Andrew Fisher in Frankfurt

ONE OF the most hotlydebated takeovers in West Germany's history will finally pro-ceed after Daimler-Benz, the West German industrial concern, yesterday accepted the conditions laid down by the Government for its takeover of Messerschmitt-Bölkow-Blohm, the aerospace company. Mr Bözard Reuter, Daimler's chief executive, said these could "first be accepted these could "just be accepted without putting into question the whole industrial concept."

The diversified motor manufacturer will pay DML7bn (\$859m) for 50.01 per cent of MBB, which has a turnover of around DM8bn. Daimler, which yesterday announced a 1 per cent drop in half-year net profits to DM830m, expects turnover this year to be around DM75bn.

The Government's go-shead was announced on Friday by Mr Helmut Haussmann, the Economics Minister, in a decision that of Daimler's newly-formed Deut-

overturned a previous ruling of the Federal Cartel Office. One condition laid down by Mr Haussmann is that the enlarged group sell its profitable marine defence technology activities, which have a turnover of some DM900m. Another is that the state-owned bank Kreditanstalt für Wiederaufbau sell to Daimler in 1996. three years earlier than planned, the 20 per cent stake in Deutsche Airbus it is acquiring from MBB as part of the deal.

However, Mr Reuter said this would have to be reconsidered if, by this date, insufficient progress had been made towards privatisation of the whole European airbus venture. The German share of the airbus consortium is 37.9 per cent.
At a press conference in Stutt-

gart, where Daimler is based, nei-ther Mr Reuter nor Mr Jürgen Schrempp, the director in charge

sche Aerospace subsidiary, was prepared to say how much restructuring would be needed at MBB to improve its profitabil-

Mr Schrempp said changes would be necessary to make MBB fully competitive, repeating that Daimler could give no job or plant guarantees. Decisions on these questions would have to be made in consultation with the states of Bavaria, Hamburg and Bremen, in which MBB has plants. The states will still have a 38 per cent stake in MBB after the takeover.

Commenting on worldwide sen-

timent in favour of disarmament, Mr Reuter said the group's technologically-based strategy would still be correct, even if the disarmament trend strengthened. Mr Schrempp pointed out that defence would account for only 8.5 per cent of the enlarged

Meggitt bids for Utd Scientific

By Andrew Bolger and Clay Harris in London

entific Holdings, the defence con-tractor which recently amounced a £5.5m pre-tax loss for the first half of 1989 and ed its interim dividend. USH rejected Meggitt's bid as unwel-

come and inappropriate.
USH which owns Alvis, the armoured vehicle manufacturer which makes the Scorpion light tank, has suffered heavy losses on fixed-price contracts for night sights at its Avimo subsidiary.

Mr Ken Coates, Meggitt's group managing director, said the bid offered an answer to the "dread-ful management performance and disarray" which had led USH into its present plight. USH had "a sound product range which its management has failed woefully to exploit," he said. "They have had three chairman, three chief executives, and at least two ment to sell a US subsidiary,

MEGGITT, the specialist engineering group, yesterday made a £115m bid for United Scithat former changes were no guide to the performance of the present management.

Meggitt is a defence contractor

in its own right, supplying electronics and control systems particularly in the aerospace sector. If the bid succeeds, defence contracts will account for 40 per cent of the combined group's turn-over. Mr Coates said future acquisitions would aim to reduce this exposure.

Meggitt reported a 41 per cent increase in pre-tax profits to £12.16m (£8.63m) on turnover ahead by 19 per cent to £115.4m (£99.5m) for the six months to June 30. The interim dividend is raised 22 per cent to 1.1p (0.9p), on earning per character at 1.2 p. (0.9p), on earning per character and hy 19 on earnings per share up by 12 per cent to 5.03p (4.5p). USH also announced an agreeOptic-Electronic Corporation, for \$65m (£42m) to Imo industries of

New Jersey.
With Meggitt shares closing 7p
lower at 116p, its 130-for-100 paper offer values each USH ordinary share at 151p. There is a partial cash alternative of £85 plus 65 shares for every 100 shares (worth 160p), and a mix-and match facility worth up to 170p. All three versions lagged behind USH's market price, which jumped 29p to 176p yesterday. Meggitt already owns 3 per

cent of USH's shares.

N.M. Rothschild, the merchant bank, started the day as financial adviser to both companies and ended it as adviser to neither. Meggitt chose Lazard Brothers to launch the bid, and Rothschild because of its close links to both companies - was obliged to withdraw from USH's side in

Hostilities begin, Page 28



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Floating Rate Nikkei Average Notes due 1992

Notice is hereby given that the Rate of Interest for the Interest Period from 12th September, 1989 to 12th March, 1990 is 6.03% per annum.

Interest payable on 12th March, 1990 will amount to ¥2,990,219 per ¥100,000,000 principal amous of the Notes.

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of Japan, Limited
Tokyo

000,000,0013 PRUDENTIAL

Floating Rate Notes Due 1995 14 1623°i p.e. 7th September 1989 7th December 1989 E10,000 Note Out 7th Cocumber 1987 C351.09

Credit Suize First Beston Limited

Ireland £100,000,000 FLOATING RATE NOTES 1996

of the Notes, notice is hereby given that the rate of interest for the three months period 11th September, 1989 to 11th December, 1989 has been fixed a 141/8 per cent. per annum. Coupon No. 20 will therefore be payable at £1,760.79 per coupon from 11th December, 1989.

BOTSWANA

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NOTICE OF PREPAYMENT



US\$ 225,000,000 Floating Rate Notes due October 1996

In accordance with clause b of paragraph "Redemption" of the Terms and Conditions of the Notes notice is hereby given that Crédit Lyonnais will redeem at par, on the next Interest Payment Date, i.e. October 16, 1989, the total amount remaining outstanding of the above-mentioned Notes. Payment of interest due on October 16, 1989 and reim-

bursement of principal will be made in accordance with the Terms and Conditions of the Notes. Interest will cease to accrue on the Notes as from October 16, 1989.

Luxembourg, September 12, 1989

The Fiscal Agent

KREDIETBANK S.A. LUXEMBOURGEOISE

S	P	ONSORED	SE	CUR	TL		
!					Gress	Ylekt	
High Lor		Сонтраку	Price	Change	dh (p)	%	P/E
341 2	95	Ass. Brit. Ind. Ordinary	340	. 0	10.3	3.0	9,2
		Armitage and Rhodes	31	0	-	-	-
		BBB Design Group (USM)	43	0	21	4.8	10.5
210 1		Barrion Group (SE)	197	0	4.3	2.2	19.1
125 1	05	Bardon Group Cv. Pref. ISD	125	e	6.7	5.4	
123	88	Bray Technologies	88	-1	5.9	6.7	7.8
110 1	05	Brenhill Corv. Pref	105	0	11.0	20.5	-
104 I	00	Brembill 84 % New C.C.R.P	104	0	11.0	10.6	-
305 2	85	CCL Group Ordinary	290	0	14.7	5.1	3.6
176 1	68	CCL Group 11% Conv.Pref	171	0	14.7	8.6	
		Carbo Pic (SE)	220	0	7.6		12.9
110 1	09	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5 3.	125	Magnet GP Non-Voting A Craft	3.75	+0.25	-	-	-
5 1.	375	Magnet GP Non-Yoting B Cove	1.75	+0.25	-	-	-
		Isls Group	128	0	8.0	6.3	7.3
145	58	Jackson Group (SE)	117	0	3.6	3.0	13.6
322 2	61	Maltingase NV (AmstSE)	290	0	-	-	_ =
157	98	Robert Jenkins	157	+1	10.0	6.4	5.7
467 4	03	Scrutters	46596	0	18.7	4.0	12.4
292 2	70	Torday & Carlisle	292	0	9.3	3.2	10.2
117 1	00	Torday & Carlisle Can Pref	109	0	10.7	9.8	
122	92	Trestan Holdings (USM)	10595	8	2.7	26	11.3
134 1	06	Unistrut Europe Coav Pref	134m	e	9.3	6.9	_ =
395 3	55	Veterisary Drug Co. Ltd	<i>3</i> 85	8	22.8	5.7	9.4
370 3	27	W.\$Yeates	332	-2	16.2	4.9	27.7

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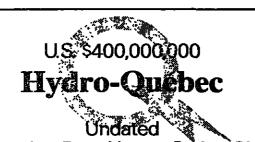
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Interest Period

11th September 1989 12th March 1990

Interest Amount per U.S.\$10,000 Note due

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Agent Bank

U.S. \$75,000,000



Christiania Bank og Kreditkasse

Floating Rate Subordinated Notes Due 1994

Interest Rate

9.125% per annum

Interest Period

11th September 1989 12th March 1990

Interest Amount per U.S. \$10,000 Note due

U.S. \$461.32 12th March 1990

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U.S. \$25,000,000

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Ssangyong Cement Industrial Co., Ltd. (incorporated with limited liability in the Republic of Korea) For the six months 8th September, 1989 to 8th March, 1990 the Notes

will carry an interest rate of 9.25% per annum with a coupon amount of U.S. \$23,253.47 per U.S. \$500,000 Note. The relevant Interest Payment Date will be 8th March, 1990. Bankers Trust Company, London

Agent Bank

U.S. \$100.000.000



Great Western Financial Corporation

Floating Rate Notes Due 1995 91/8% per annum

Interest Rate

Interest Period

11th September 1989 11th December 1989

Interest Amount per U.S. \$50,000 Note due

11th December 1989 U.S. \$1,153.30

> Credit Suisse First Boston Limited Agent Bank

NOTICE TO SHAREHOLDERS **GEOFUND CONVERTIBLE BONDS - SICAV** R.C. Luxembourg No 21.603 LUXEMBOURG

The name of CEOFUND CONVERTIBLE BONDS was changed to CB FUND INTERNATIONAL by a resolution passed at the Extraordinary General Meeting of chareholders heid on 18th August 1989 in the presence of Mathre Edmond SCHROEDER, notary public residing at Mersch.

The share certificates will be stamped to record the change of name at the offices of the Registrar, Banque Panbas Luxembourg. This facility will be available from the date of publication of this notice until the 12th October 1989. From 12th October 1989, unstamped certificates will no longer be accepted for delivery on the Luxembourg Stock Exchange.

All subsequent notices to shareholders will best the name CB Fund international. As from 1st September 1989, the registered office of the Sicay will be 19A, Bouleverd Royal, Luxembours.

U.S. \$150,000,000 First Interstate Overseas N.V.

Guaranteed Floating Rate Subordinated Notes Due 1995

A First Interstate Bancorp

91/16% per annum

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amounted, as of August 31, 1989, to USD 512.70.

PAN-HOLDING SOCIETE ANONYME_ LUXEMBOURG

As of August 31, 1989, the unconsolidated net asset value was USD 308,849,252.51 l.e. USD 502.19 per share of USD 100 par value. The consolidated net asset value per share

INTERNATIONAL COMPANIES AND FINANCE

Davy eyes European joint ventures

DAVY CORPORATION, the UK engineering and project contracting company, is considering setting up a joint venture business with one of its European competitors.

The company has been in discussions with at least two continental European project engineering groups, but one of these has dropped out of the

Davy, which made a pre-tax profit of 228.8m on sales of 2968m in the year to March, designs and project managers the construction of plant for the metals, chemicals, offshore and general processing indus

It also has a building com-pany and several manufactur-ing businesses in steel plant and mechanical handling. The discussions are believed to involve the placing of one of Davy's six divisions into a joint

European company.
It is thought likely that this

will be either the metals or the process division, which includes Davy's chemicals

plant operations. The contracting industry believes Davy might be more interested in a joint venture company in the metals sector, which includes design and project work for steel plant and that it might be in talks with a West German company.

On their own, steel-related projects account for between £200m and £300m (\$465m) of Davy's turnover.

Mr Roger Kingdon, Davy's chief executive, declined to provide details of the discus-However, he said the ratio

nal for such a joint venture hal for such a joint venture business was to lower the cost hase for design and selling of plant and, if possible, to find a partner with additional techno-logical capability.

This would help it compete with large US and Japanese engineering construction



to reveal details of talks

groups, he added. Davy, which claims to be Europe's largest engineering construction group has enjoyed a high level of orders in the

past few years on the back of the worldwide recovery in plant construction and mod-

Mr Kingdon said its princi-pal markets remained strong. He added though that the company was looking to strengthen its overall position for when world plant demand, which is cyclical, was not so

strong. Leading West German plant contractors in the metals sector include SMS and Mannesmann Demag which recently bought some of the engineering interests of the Fried. Krupp group. German companies in processing plant include Lurgi and Uhde.

Other large European project

Other large European project engineers include Snamprojetti and Italipianti in Italy, and Clecim in France.

The two biggest US groups are Bechtel and Fluor Daniel, and in Japan they include Sumitomo, IHI and Mitsubishi.

Salomon to launch Chilean fund this week

By Barbara Durr in Santiago

SHARES in the \$60m

international investment fund for Chile, created by Salomon Brothers, will go on offer this "This is the first step toward

the internationalisation of the Chilean stock market," said Mr Mario Lobo, a partner in the Santiago investment company Celsius, which is an associate of Salomon Brothers. The Chile Fund, as it is known, which brings fresh cap-ital to Chile, is the first and

largest of its kind in country. Although two other international investment funds exist, they are based on monies from debt conversion. Three other smaller funds for direct foreign investment in

Chilean equities markets have also been authorised. Citibank has just created two small funds of \$4m each

and Batterymarch, the Boston-based investment company, has also recently brought in \$15m under its Equity Fund for Latin America in Luxembourg A Salomon Brothers sales

team will visit European and US cities, and of the 4m shares available, 1.4m will be offered in Europe and 2.6m in the US and Canada. The fund, a closed-end, nondiversified investment com-pany, intends to invest some 75

per cent of its funds in Chilean

equity and debt securities in its first six months. By law it is obliged to invest 80 per cent of its monies in equities_by the end of three years. The other 20 per cent can be invested in unlisted

Capital cannot be repatriated for five years. The fund will be managed by BEA Associates,

with local advice from Celsius. Mr Lobo said that investor interest in the fund, principally from such large institutional investors as pension funds, insurance companies and portfolio managers, was running so high that it appeared the fund would be oversubscribed

quickly.

Part of the attraction for the fund is the considerable profits made in recent years on the Santiago Stock Exchange. Price/earnings ratios for the most actively traded stocks as of December 1988 was approximately 4.9. As of mid-June 1989, the p/e ratio of the most actively traded shares was 5.25. An additional attraction is

that the fund is only taxed 10 per cent, compared with the normal tax rate for foreign investment of 32.5 per cent.
The fund's preliminary pro-

spectus, however, is full of warnings about the possible problems of investing in

Profits, for example, will be made in Chilean pesos, but distributed in US dollars, making them sensitive to currency devaluations.

The minuteness of the market also exposes it to price vol-

atility. The fund represents about 9 per cent of the 1968 annual trading volume of the Santiago Exchange and 0.91 per cent of the aggregate value of bonds outstanding as of the end of

Political uncertainty, given Chile's scheduled return to democratic rule next year, and potential government meddling in the economy are other factors which also thoughts for investor caution.

Pemex note sale raises \$237m

By Richard Johns in Mexico City

PETROLEOS Mexicanos (Pemex), the Mexican state oil company, has sold 600bn pesos (\$237m) worth of promissory notes to ease the strain of the fiscal demands being made upon it by the Government. Pemex acknowledged the issue of the notes last week, saying that the financing was needed to cover spending.

It is understood that Pemex

has not benefited financially from higher oil prices and that all the increment over and above the the price of \$10 per barrel conservatively projected in the 1989 budget has gone to the Ministry of Finance.

Pemex stressed that the placement of the Pagares similar to the commercial paper issued by private sector companies - would not jeop-ardise its "sovereignty" nor

allow creditors to become coowners of any of its assets. At the same time there has been a lively response to the first auction by Nafinsa, the state development bank, of 10-year bonds known as *Bondis*, the latest instrument to be introduced this year to a money market long dominated by Cetes, or 28-day Treasury

The Bondis are said to have attracted particularly interest from the two rival commercial banking groups, Banamex and Bancomer. The issue of a bond of such maturity is seen as reflecting the sudden revival of

confidence in Mexico's future. Hitherto, the longest term instrument available has been the Ajustabono which has a three year-term with principal

adjusted quarterly to the official consumer price index, and was launched as recently as July. At the first auction the 500hn pesos on offer were 150 per cent over-subscribed. Introduced at the same time was the Tesobono which has a term of six months or less with

both principal and interest linked to the free dollar market

The Mexican stock market

authorities are to reintroduce from mutual funds as well as short selling. They also pro- tional banking for BNS on pose the go-ahead for dealings in the shares in Compania Mexicana de Aviacon, the pre-viously majority state-owned airline privatised last month through the injection of \$140m of capital by the Grupo Xabre. Share dealings in Aviacon were suspended in the spring

Redpath chief to fill top Bank of Nova Scotia job THE BANK of Nova Scotia.

Canada's fourth largest chartered bank, has gone outside the banking industry to fill a key executive position, writes Robert Gibbens.

Mr Lynton Wilson, a direc-tor of the bank since 1986, has resigned as chairman of Red-path Industries, the Canadian arm of the Tate & Lyle, the UK sugar group, to become vice-chairman in charge of interna-October 1.

Mr Wilson, an economist by training, was Ontario's Minis-ter of Industry from 1978to 1981 and then joined Redpath. Last week it reported record nine month net profits of C\$463.6m (US\$392m) or C\$2.38 a share, compared with C\$368m or \$2.02 a year earlier.

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Series A due December 1997 For the three months 8th September, 1989 to 8th December, 1989 the Notes will carry an interest rate of 9/4% per annum with an interest amount of U.S. \$2,369.79 per U.S. \$100,000 nominal. The relevant interest payment date will be 8th December, 1989.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Bank of Greece Athens, Greece U.S. \$250,000,000

Floating Rates Notes due 1999 For the six months 8th September, 1989 to 8th March, 1990, the Notes will carry an interest rate of 9.25% per annum with a coupon amount of U.S. \$465.07 per U.S. \$10,000 Note, payable on 8th March, 1990.

Bankers 11 Company, London Bankers Trust

Agent Bank



The Chase Manhattan Corporation U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009 For the three months 8th September, 1989 to 8th December, 1989 the Notes will carry an interest rare of 9% per annum with a coupon amount of U.S. \$230.66 per U.S. \$10,000 Notes, payable on 8th December, 1989.

Bankers Trust Company, London

Agent Bank

Citizens Federal Savings and Loan Association U.S. \$100,000,000

Collateralized Floating Rate Notes due 1996 For the six months 8th September, 1989 to 8th March, 1990, the Notes will carry an interest rate of 9.15% per annum and an interest amount of U.S. \$1,150.10 per U.S. \$25,000 Note.

Bankers Trust Company, London

Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Interim profits at Daimler Kugelfischer hit by weaker car sales By Andrew Fisher in Frankfurt DAIMLER-BENZ, the West German motor, electronics and aerospace group, yesterday announced a slight drop in first-half profits, mainly a result of continuing problems with car sales at home and abroad. Group net profits slipped to DAIMLER-BENZ, the West group totalled 278,000 units, a drop of 5 per cent, and the group said total 1989 out put would be about 540,000 against 560,000 in 1988. Mr Reuter repeated his forecar that profits for the full year would be near the 1988 inust over 30,000 units

The state of the s

Group net profits slipped to DM830m from DM840m (\$424m), with domestic car sales damaged by continuing discussion over diesel models and the environment. Truck sales rose in Germany and the rest of Europe, but suffered from the economic problems of

Brazil and Argentina Although some analysts had expected Daimler to give the terms of its planned rights issue, Mr Edzard Reuter, chief executive, said these would be issued "shortly."

in Germany, new registra-tions of Daimler cars fell 13 per cent to 129,500 units, harmed cent to 129,500 units, harmed by the impact of planned taxa-tion of price discounts on employees car purchases. Car

He said the problem patch should not last too long. Daim-ler would stress the environ-mental and energy-saving qual

cast that profits for the full year would be near the 1988 level of DM1.7hm, which was 4.5 per cent down on the previous year.

Turnover edged up from DM34.9bn to DM36.7bn in the half, with cars accounting for 45 per cent and trucks for 14 per cent.

Mr Reuter said the group

was "by no means unreservedly satisfied" with current earnings, although Daimler, to be expanded through the addition of Messerschmitt-Bölkow-Blohm, still had "unusual profits strength." Further moves would be made to cut group

ities of diesels, now accounting for 29 per cent of domestic cars registrations against last year's

Because of the forthcoming tax changes, car sales to employees at discount prices would not reach 1988's level of just over 80,000 units.

Apart from the US, where exports fell by 18 per cent, sales to other foreign markets, especially in Europe and

Japan, developed well. Foreign car, sales were marginally higher at 152,500 units.

Mr Reuter said the new SL roadster was turning out to be a success. This is the forerunger to the next generation of ner to the next generation of the executive S-class cars, to be launched in about a year. Present models face strong competition from BMW. Asked about BMW's success, he said: "We have a lot of respect for what has been achieved in Munich [BMW's base]. There is no reason, though, to slide into resig-

Amic buys Kolbenschmidt unit

KOLBENSCHMIDT, the West German car components manufacturer which is a unit of Metallgesellschaft, has sold its South African subsidiary to Anglo American Industrial Corp (Amic) of South Africa, Reuter reports.

Statements from Amic and Kolhenschmidt did not reveal how much Amic paid for the unit, Karl Schmidt (SA). Kolbenschmidt also said it had signed a long-term co-operation and licensing agreement with Amic for piston production in South Africa and neighbouring

■ The Bank of Spain has given the go-ahead for an options market in derivative financial products, to start in Madrid next month, Renter reports.

The central bank said OM Iberica, a subsidiary of Sweden's Stockholms Optionsmarknad OM Fondkommission, would operate the market Mer-cado OMib. Initially it will offer options on the state debt interest rate, progressing to options on stocks traded on the

Spanish bourse. The market, which will be approved the plan yesterday. in world markets.

.... · ·<u>.</u>

NEWS IN BRIEF

computerised, will be similar to the options markets of Stockholm, Helsinki, Paris and

■ Euromobiliare, the Italian investment bank controlled by Midland Bank of the UK, has reported consolidated net profit of L1.6bn (\$1.1m), com-pared with a L13.8bn loss, for the year ended June 30, Renter

reports.

The gross operating profit was L31.1bn against L15.5bn, with the parent company's net profit at L784m against a L14.8bn loss. The savings share dividend for the year will be L125, compared with no dividend a year earlier.

■ Compagnia Assicuratrice Unipol, a Bologna-based insurer, will offer 29 per cent of its ordinary shares on the Milan stock market before the end of the year, Reuter

Unipol's shareholders

The shares will be priced between L15,000 and L25,000, but details of the operation are not finalised.

The company's preferred shares are already listed on the Milan bourse. West Germany's Volksfürsorge Deutsche Lebensversicherung, which owns 29.14 per cent of Unipol, will make available a 19.4 per cent stake for the offering.

The remaining 10 per cent will be provided by the insur-er's controlling shareholders, a group of trade unions and agricultural co-operatives.

■ Sundstrand, the US defence and aerospace group, said Sul-lair, its wholly owned subsid-iary, had agreed with the principal shareholder of Maco-Meudon to buy a major-ity interest in the France-based construction tool supplier,

Reuter reports. Sundstrand, through Sullair holds 13.5 per cent of Maco-Meudon and plans to increase its ownership to at least 75 per cent. Sullair said the purchase was consistent with its strategy of expanding participation

unveils **DM140m** rights issue

By Our Financial Staff

FAG KUGELFISCHER, the West German ball bearings manufacturer, plans to raise DM140m (\$70.7m) through a rights issue to finance its new investment programme.

The company is to issue 560,000 preferred shares with a par value of DM50, offering them to shareholders of record on a one-for-seven basis. The issue price will be DM250.

On Friday the company's preferred stock closed at DM330 on the Frankfurt Stock Exchange.

The new shares, to be intro-duced in early October, will be eligible for half of the 1989 dividend payout. Kugelfischer said rising sales and earnings were clear-ing the way for a dividend ncrease, in which the new

shares will participate correspondingly.

In 1988 the company paid
DMS on preferred and DM7 on

Group sales in the first seven months of this year rose 14.7 per cent to DM2.22bn from DM1.93bn. Last year group sales rose 9 per cent to DM3.5bn from DM3.2bn.

The company expects its

The company expects its earnings for the full year to increase at "a comparable" rate to the one recorded in the first half. It announced earlier this year that interim net this year that interim net income jumped 58 per cent in the parent company, to DM24.8m from DM15.7m. Group income rose in "a sat-

start-up losses at joint ven-tures – Fatec Fahrzeugtech-nik and Sammi Precision

Industry in South Korea. Kugelfischer said order backlog was enough to provide full capacity utilisation for 12 months at the parent company and for eight months in the

Earlier this year the group announced a six-year investment plan that will require the company to invest about DM2bn in the group through

Yesterday's announcement of a rights issue had been expected by analysts and is likely to reduce the company's net debt/equity ratio from 0.58:1 at the end of 1988 to

Family group regains SGS control

By William Dullforce in Geneva

SOCIETE GENERALE de Surveillance (SGS), the world's leading inspection services group, was returned to the con-trol of founding family shareholders yesterday when Mrs Elisabeth Salina Amorini, a 34year-old lawyer and grand-daughter of one of the founders, was elected to chair a reconstituted and rejuvenated

At an extraordinary general meeting, shareholders voted for the appointment of four new directors proposed by the

family group.
They were Mr John Craven, chief executive of Morgan Grenfell of London, Mr Guy Demole, senior partner of Pic-tet, the private Geneva bank, Mrs Katrin Langloh, a 36-year-old descendant of the founding families, and Mr Moritz Suter, managing director of Crossair. the Swiss regional airline. Their appointment resolves the crisis which erupted last July when Mr Philippe de Weck, the chairman, announced he and three other directors were resigning and that Mr Patrick Rich, the managing director, was leaving after only two-and-a-half years

with the company. Mr Claude Goldberg, a longserving SGS insider who has the backing of family share-holders, took over as managing director on August 1.

According to Mrs Salina Amorini, SGS's boardroom dispute was prompted by Mr de Weck's failure to fulfil a 1987 agreement which would have allowed the family group to appoint two new directors and restore its majority on the

Mr de Weck said the departing directors believed family shareholders, who held less than 15 per cent of the total capital invested, "exaggerated" in demanding both the chairmanship and a majority of the

seats on the board. There could be conflict between "votes" and "capital," he warned.

The family group holds more than half the voting rights car-ried by the 145,000 registered shares. Its share of the 305,000 non-voting participation certificates is not known. Mrs Salina Amorini stressed

that the dispute had not been over the use of SGS's SFrlbn (\$588m) cash kitty to finance acquisitions. Family shareholders favoured important acquisitions, provided they could be "inscribed within the logic of coherent and profitable commercial development" but they did not want the company to become a conglomerate.

Earlier this year the board unanimously rejected an ambi-tious proposal from Mr Rich and Mr de Weck involving, it is understood, a \$2bn takeover of a US insurance company. Geneva bankers also say that Mr Rich failed to seize an

opportunity to take over Adia, the world's second largest temporary employment group, which has recently merged with Mr Werner Rey's Inspectorate International, one of SGS's smaller rivals.

However, Mrs Salina Amo-rini described Adia as "not within the sphere of SGS's future development" and dismissed the idea that the linked Adia-Inspectorate group posed any threat to SGS.

After Mr de Weck became chairman in 1980 SGS increased its turnover from while net earnings climbed from SFr31m to SFr125m. The dividend rose from SFr55 a share in 1981 to SFr105 last

Mr Goldberg said yesterday that the group would realise "excellent" 1939 results if the trend of the first eight months continued through the rest of

Orkem chief to join Total-CFP

By William Dawkins in Paris

MR Serge Tchuruk, president of Orkem, the recently revived French state-owned chemicals group, will join the board of Total-CFP, the governmentcontrolled oil company, in the

next few days.
An Industry Ministry official said yesterday the appointment was the first step in arranging the succession to Mr Francois-Xavier Ortoli, Total-CFP's president, who reaches retirement

age next February.
It could also be part of a wider re-organisation of France's state-owned chemicals companies, under consider-ation for the past year by a Government worried its chemicals concerns lack sufficient size to compete against larger West German and British

This is the second change at the top of an important French state-controlled company within a week, following Renault's recent decision to reshuffle its senior management to ease the way for Mr Raymond Levy, its president, to retire in three years' time.

Total-CFP's board will nominate Mr Tchuruk, 51, at a meeting tomorrow and will call a again the future of Orkem, forgeneral shareholders' meeting



Serge Tchuruk: reputation for tough management

two to three weeks' later to confirm him as the director representing the interests of the state, which holds 40 per cent of the oil group's voting rights.
Mr Tchuruk will continue to

be president of Orkem for the time being, although Mr Ortoli specifically asked for his arrival to ensure a smooth changeover for his own presi-

dential job.

The move throws open once

merly known as CDF Chimie. as the chemicals offshoot of Charbonnages de France, the state coal group. CDF Chimie was losing money heavily when Mr Tchuruk took over in late 1986.

However, last year it turned in a FFr3bn profit, earning Mr Tchuruk a formidable reputation as a tough and decisive

The Industry Ministry offi-cial said Mr Tchuruk's nomination "prejudges none of the adjustments which will soon be made to publicly owned companies in the chemicals

One of the main possibilities being considered would be to make Orkem part of Total-CFP. to help the oil group diversify.

Another would be to link it
with Atochem, a subsidiary of
Elf Aquitaine, the diversified
state-controlled oil group, and
Entraprise Minière et Chimi Entreprise Minière et Chimique (EMC), another state chemicals business.

However, Mr Roger Fauroux, the Industry Minister, is understood to be awaiting sugges tions from the companies' management before taking a decision, for which no firm timetable has been fixed

Canfor drops pulp project in Alberta

By Robert Gibbens in Montreat

CANFOR, a big Van-couver-based forest products group, is pulling out of a long-term Alberta pulp project to concentrate its financial resources on expansion and environmental programmes in British Columbia.

the New York investment bankers, to sell three saw-mills and a plywood plant in Alberta. The mills have annual capacity of 440m board ft of lumber.

It has hired Salomon Bros,

However, Canfor already has 1.3bn board ft capacity in its British Columbia mills. Canfor has a capital invest-

ment programme worth more than C\$1bn (US\$847m) for modernisation of its British Columbia pulp mills and for a joint newsprint venture with Oji Paper of Japan. The company made clear that the withdrawal from Alberta was due to the weight of its British Columbia programme.

Canadian Pacific, the transportation and energy group, is raising its quarterly dividend to 23 cents from 19 cents.

11th September, 1989

TO DECEMBER 1985年 1985

The Directors of Ward White Group pic are pleased to announce the interim results for the half year ended 31 July 1989

	ibi the hall year ended 315thy 1909.		
Year ended 31 January		6 months 31 J	
1989 £million		1989 £million	1988 £million
734.6	Turnover	<u>405.6</u>	342.3
83.5	Operating profit	39.5	30.1
0.4	Share of profit of related companies	_	0.7
<u>(7.3</u>)	Interest a grant of the way of the way and the	<u>(5.2</u>)	<u>(3.1</u>)
76.6	Profit on ordinary activities before taxation	34.3	27.7
23.1	Tax on profit on ordinary activities	9.8	9.4
53.5	Profit on ordinary activities after taxation	24.5	18.3
27.7	Extraordinary items (net of tax)	<u>(8.5</u>)	<u> 17.1</u>
81.2	Profit for the period	24.0	35.4
(12.1)	Preference dividends	<u>(7.2</u>)	<u>(7.2</u>)
69.1	Profit attributable to ordinary shareholders	16.8	28.2
	Earnings per ordinary share:		
34.9p	Basic	14.6p	9.4p
28.5p	Fully diluted	12.2p	10.4p

2-811-11-11-11 mm	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	- min ober emil	5 P. O	
		Six mont	hs ended	
	31 <i>J</i> uly	/ 19 89	31 Jul	y 1988
•		Operating		Operating
	Turnover	profit	Turnover	profit
المحتفظ والمجارية المحتف المتحيد	£million	Emillion	£million	£million
Home DIY products	181.3	19.3	133.1	15.6
Halfords	110.3	9.6	85.3	6.2
USA autoparts & accessories	85.1	8.1	48.2	6.1
Other activities	28.9	2.5	<u>75.7</u>	2.2
**	405.6	39.5	342.3	30.1

- 1. The interim figures are unaudited and are prepared under the historical cost convention, modified by the revaluation of freehold and certain long leasehold properties, and have been prepared in accordance with the accounting policies described in Ward White's latest published Report and Accounts.
- 2. Basic earnings per share are calculated on the weighted average of 118.5 million ordinary shares in issue during the six months ended 31 July 1989 and profit before extraordinary Items (but after preference dividends) of £17.3 million. Fully diluted earnings per ordinary share are calculated on the weighted average of 200.1 million ordinary shares in issue after allowing for full conversion rights attached to the convertible redeemable preference
- 3. Operating profit includes profit of £2.3 million (1988 £1.2 million) relating to retail property and developments. This includes all profits arising from the active management of the group's property portfolio, which can be categorised as shown below:
- Six months ended 31 July 1988 31 July 1989 £million Emillion Net surplus on sale of retail property 0.8 Restructuring of leases 0.3 0.3 Development (loss)/profit (0.1)1.2 <u>2.3</u>
- 4. Extraordinary items in 1989/90 primarily relate to a loss on disposal of listed investments, and exclude any expenses incurred in connection with the offers made
- 5. Tax on profit on ordinary activities includes £2.9 million (1988/9: £2.6 million) in respect of overseas companies. 6. The results for the year ended 31 January 1989 are abridged from the full accounts for the period, which received an unqualified audit report and have been filed with the Registrar of Companies.
- The Interim results will not be sent to the ordinary. preference and convertible preference shareholders. 8. The directors are not declaring an interim dividend in the light of the acquisition of a majority of the shares of Ward White Group pic by The Boots Company PLC.

This announcement appears as a matter of record only.

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U.S.\$300,000,000

3 1/2 per cent. Notes 1993

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to subscribe for shares of common stock of Oki Electric Industry Company, Limited

Issue Price 100 per cent.

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Westdeutsche Landesbank Girozentrale

Nomura International Merrill Lynch International Limited

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June, 1989

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Land Rover pins hopes on new Discovery

Kevin Done reports on a weapon in the UK battle against Japanese car domination

over Group, the UK's battered leading car maker, starts to show its head gingerly above the cas-tie wall again today with the long-awaited unveiling of a new vehicle by Land Rover, the first by the specialist four-wheel drive subsidiary in nearly two decades.

The Discovery, which will be launched at the prestigious Frankfurt Motor Show this week, is only the third all-new vehicle to be developed by the division since the Land Rover itself was unveiled in Amster-

This is in spite of the four wheel drive leisure/utility sec-tor beening one of the fastestgrowing segments of the world vehicle market during the last

beveloped with an invest-ment of about £190m (\$155m) — including a new direct injection turbo charged diesel engine - the Discovery is a crucial vehicle for Land Rover. As virtually the only European standard-bearer, the Dis-covery takes Land Rover into head-on competition with some of the leading Japanese vehicle

It will make stern demands on Land Rover's ability to meet Japanese cost levels, if the vehicle is to be profitable. The Discovery will be pitched between the utility Land Rover and the luxury, up-market Range Rover.

At a starting price of £15,000 to £16,000 it will compete directly in a sector that Japa-nese vehicles such as the Mitsubishi Shogun (known as the Pajero in Continental Europe and the Montero in North America), the Isuzu Trooper, the Nissan Patrol and the Toyota Land-Cruiser have had as an almost exclusive preserve, along with the Jeep Cherokee of the US Chrysler

Land Rover remains one of the world's pioneers of four-wheel drive vehicles, however, and is virtually the only European competitor to have succeeded in the sector. Such was the uniqueness of

the Range Rover when it was launched in 1970 that one model was exhibited at the Louvre in Paris as an example of modern sculpture.

Like the other constituent parts of British Leyland, Land Rover was dragged down by the industrial turmoil that engulfed the company during the last 20 years, and it was starved of development funds, as BL plunged ever deeper into loss. Hence the long wait for



The Discovery carries Land Rover's hopes to the prestigious Frankfurt Motor Show

In the last three years, Rover has been put on a much sounder footing. The group has been reduced dramatically in size with the disposal of 18 businesses, it has been returned to the private sector with its takeover a year ago by British Appropriace, and most British Aerospace, and most recently it has cemented its long-term relationship with Honda of Japan, which is plan-ning to take a 20 per cent equity stake in the Rover Group vehicle businesses.

The decision to give Land Rover the go-shead to develop the Discovery was one of the early moves made by the new Rover Group management team under Sir Graham Day in 1986, while the company was

still in state ownership. The Discovery has been brought from concept approval to market launch in the creditable time of less than three years, and is one of the first pieces of firm evidence that the Rover Group is ready to go back on the product offensive. The Discovery is also an

indication of how the Land Rover business has been transformed during the 1980s. In 1980, the company was still most importantly a producer of Land Rover utility vehicles, the four-wheel drive workhorse demanded by farmers, forest-ers, police and armed forces, but most importantly a vehicle in demand in Africa and other parts of the developing world. In 1980 sales of the Land Rover vehicle totalled 51,198, while the much more up-mar

ket Range Rover was still rela-tively unimportant at 9,708. In 1980 Africa, the Middle East and the so-called rest of the world markets accounted for 60 per cent of Land Rover sales and a third of Range At its height Land Rovers

were being assembled in more than 30 countries from knockdown kits supplied from the UK. And the Range Rover was far from the luxury vehicle it is today, equally at home in Mayfair or on the farm, selling at up to £29,721 and competing in the luxury car market against the likes of BMW, Mer-

cedes-Benz and Jaguar.

"The Range Rover still had
two doors, a manual gearbox
and plastic seats in 1980," says
Mr Chris Woodwark, Land Rover commercial director since early this year, when the whole Rover Group top management structure was reor-

Following the second oil crisis, Land Rover's business in the developing world collapsed, plunging the company into loss in 1983 and 1984. "We have had to switch from

being a company selling Land Rovers in the Third World, to a company selling Range Rovers in Europe and North America. We have had to make a massive product change with the existing vehicle," says Mr Woodwark.

Since 1980, the Range Rover has acquired air conditioning, leather seats, electric windows, electric sun-roof, automatic transmission, a turbo-diesel engine, a new transfer box, fuel injection, more power and central locking along with other specification details that belong to the luxury car mar-

The transformation has succeeded. More than 35 per cent of all Range Rovers sold in the UK are of the highest Vogue SE specification selling at almost £30,000. The vehicle has been launched – in early 1987 –

with conspicuous success in the US; the world's most emanding luxury-car market. Sales in the US have increased by more than 50 per cant this year in contrast to heavy falls suffered by many European luxury and executive stronger including Rover's own Sterling. Later this autumn Rover Group plans to launch the Range Rover for the first

time in Japan.
The transformation has also worked financially with Land Rover regaining profitability and making a £22.5m profit before interest and taxation in 1967, the last year when financial results were available before the figures were sub-merged in the accounts of Brit-ish Aerospace.

Last year, while Land Rover vehicle sales had slumped to 22,515 from 51,198 in 1980, Range Rover sales had climbed to 24,185 from 9,708 — perform-ing wonders in the process for

the profitability of the com-pany's model mix.

West Europe accounted for two-thirds of Land Rover sales, while Europe and North Amer-ica accounted for 87 per cent of Paner Power sales Range Rover sales.

The company's survival dur-ing the 1980s owes much to the drastic restructuring of Land Rover's manufacturing operations. This included the rationalisation from 14 sites throughout the country into one at Solihull, West Midlands. In the process, £18m-a-year in operating costs, 1,500 jobs and im miles in internal transportation were removed.

Land Rover now hopes the Discovery will provide an important third leg for the expansion of the business.

The company is coy about its ambitions, it has been burned so often in the past, but it appears that it is hoping for annual production of more than 20,000 vehicles a year putting the Discovery on a par with both the Land Rover and

According to Mr Woodwark, Discovery production will reach around 250-a-week by the

reach around 250-a-week by the end of the year compared with the current record 660-a-week of the Range Rover.

Certainly there is space at Solihull for expansion, and Mr Woodwark says: "We have a production capacity that will equal our sales."

The vehicle will be particularly important in the UK, which Mr Woodwark expects to account for about 30 per cent of sales, and where the 130of sales, and where the 130-strong dealer network, one of the five most profitable dealer hodies in the UK, is investing £100m from 1987 to 1990 to modernise its facilities.

Discovery goes on sale in November in the UK, and in Italy and the pan-European launch should be completed by

The vehicle is designed, says
Land Rover, as a "premium
product in the personal transport sector of the four-wheel
drive market" for customers who see "leisure and recre

with as an important part of their life-style."

It will be offered initially only in three-door form with either the new 2.5 litre direct injection diesel engine or the existing well-proven 3.5 litre Vs petrol engine, with an

option for having seven seats.

Much is riding on the Discovery if the European motor industry is to challenge the Japanese stranglehold on this Japanese strangienolo on this
4x4 leisure utility sector. Sales
in Europe totalled 265,100 last
year, of which Japanese products captured a market share
of 73 per cent. Sales are forecast to rise quickly to almost 400,000 in 1995 according to Automotive Industry Data, the

UK-based automotive analysts. Japanese makers are already established in Europe with assembly in Spain by both Suzuki (SJ Series and Vitara) and Nissan (Patrol). Japanesemade products accounted for 59.2 per cent of the European market with the balance of the Japanese share coming from

Rover is not alone in seeking to carve out a growing share of this market. Chrysler and and Renault are also collaborating on a new vehicle for the sector. Other additions are planned by General Motors and Isuzu at their UK joint venture plant, IBC Vehicles, and by Nissan and Ford in a joint venture at Nissan's Spanish plant. The field is becoming crowded, but at least Land Rover is in there fighting and does not lack for

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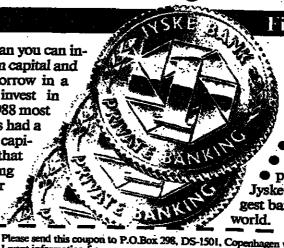
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INTERNATIONAL COMPANIES AND FINANCE

Bond Corp shares fall to new low of 30 cents

By Chris Sherwell in Sydney

and the second second second

A FURTHER bout of selling yesterday took shares in Bond Corporation, the debt-burdened flagship of Mr Alan Bond's besieged business empire, to a fresh low of 30 cents on Australia's stock exchanges, down 10 cents on the day.

The plunge, which at one point pulled the shares as low as 27 cents, followed estimates that the group now has a negative net worth of as much as A\$2.29 per share, and renewed controversy over a A\$3.5bn (US\$2.7bn) plan to sell its brewery interests to the 58 per cent-owned Bell Resources. The deadline for the deal has been postponed and changes to it are mooted.

These developments followed a depressing impact last week on the value of Mr Bond's tele-

Downturn at

mining group

PANCONTINENTAL Mining of

A\$138.3m from A\$134.2m.

Unrealised foreign exchang

brought into account on a cur-rent basis, even though the underlying debt obligations

that gave rise to them were long term, the company said. The group said that based

on the year's profit and strong cash flow, the directors had declared an increase in the

final dividend to 8.5 cents a

share from 2.5 cents.
Gold production at Padding-

ton rose to a record 106,000 oz

from 100,305 oz. Recent exploration had resulted in discov-

eries of gold, tantalum and platinum and follow-up work was in progress to define the extent of these resources.

Dai Nippon

Printing in

share offer

DAI NIPPON Printing, Japan's

largest commercial printer, is to make a public placement of

30m shares representing some

Although the pricing will not be set until after a board

meeting on September 25, at the company's Y2,380 price on

the Tokyo Stock Exchange yes-

terday the issue would raise Y71.4bn (\$488m). Funds raised

are described as being ear-marked for capital spending.

Dai Nippon Printing had consolidated net earnings per share of Y47.80 in its year to

March and paid a Y10 divi-dend. In May it made a one

Underwriters for the latest

offering are Japan's Big Four

• Toyo Trust and Banking of Japan plans to apply for stock exchange listings in London

and Paris in an effort to

enhance public recognition in Europe ahead of the unifica-tion of EC markets by 1992.

It hoped the listings would increase business opportuni-ties as well as expand its abil-

for 20 scrip issue.

Australian

from Brisbane.

the fire-sale of a rival commercial network and his bitter public falling out with the Western Australian state government over an A\$1.2bn petro-

emment over an A\$1.2bn petro-chemical plant project.

Analysis said yesterday the survival of Mr Bond's empire was no longer in his hands— that his destiny was being determined by his bankers, auditors and the country's reulatory authorities, and by individuals such as Adelaide Steamship's Mr John Spalvins, a key Bell Resources share-holder.

The revelation that Bond Corporation now has an appraised negative net worth of between A\$1.59 and A\$2.29 per share (depending on the value placed on Bell Resources shares) came in a leaked internal memorandum of Baring Securities.
The memorandum, written

last week, updated a document prepared in May which gave the group a negative net worth of A\$1.80 per share. It traces Bond Corporation's troubles back to a full bid that the National Companies and Securities Commission (NCSC), Australia's stock market watchdog, obliged it to make for Bell Group, parent of Bell Resources, at an expensive A\$2.70 per share.

The document makes it clear that Mr Bond's situation would improve significantly if he could sell his brewing interests to a third party at book value of around A\$2.6bn or

However, over the weekend it emerged that his plan to sell these interests to Bell Res-

ources had hit more problems. for his brewing interests. Mr Henry Bosch, NCSC chairman, confirmed that Bell Mr Spalvins is said to be an interested party. So is Mr John Elliott's Elders IXL, despite Resources' A\$1.2bn "deposit" with Bond Corporation was the noises from the antitrust Trade most important issue it would investigate in a private hearing announced last week. The would disallow its increased dominance of the beer market. NCSC is also looking at certain Other names mentioned include SA Brewing and, from New Zealand, Lion Nathan and put and call option deals with Mr Rodney Adler's FAI Insur-ances involving a Perth prop-erty site and a stake in Bond the Brierley group's Magnum Corporation. International Gold.
While the NCSC's hearings proceed, Mr Spalvins, whose 20 per cent holding in Bell Resources gives him the means to prevent the brewing deal, is thought to be withholding court action to force the return

In a statement to the stock exchange yesterday, Bond Cor-poration said discussions over the sale of its brewing assets were at an advanced stage and, if successfully concluded, there would be a detailed announcement later this week. The group also blamed its share price fall on adverse media comment on the group's finan-

Inspectorate loses zest for leasing

Alan Cane on the consequences of the proposed merger with Adia

he merger proposed last week between two Swiss companies, Inspectorate Australia has blamed an unrealised foreign exchange International and Adia, will loss of A\$8.5m for a 24 per cent fall in net profit for the year to June, Reuter reports create a group with sales of around SFr5bn (\$2,93bn). It will operate primarily in the tempo-rary employment, quality con-trol and security services sec-tors and the new grouping is likely to have significant con-The group yesterday announced profits of A\$21.6m (US\$18.6m), down from A\$28.3m. Sales rose slightly to sequences for the European information technology indusmovements were required by the accounting standard to be

Adia is the world's secondlargest employment agency. Inspectorate has a raft of interests ranging from quality inspection and engineering to property, but its largest divi-sion is information technology, accounting for SF1.8bn out of 1988 revenues of SF12.47bn. Last year the division secured Inspectorate 46th place in the US magazine Datamation's top 100 information technology

However, the merger announcement is an indication of the seriousness with which Inspectorate is refocusing its interests and cutting away activities outside what it now defines as its core businesses. This means that the informa-

tion technology division—
comprising Meridian, a US
computer leasing company,
and Meridian International
(MI), a European computing services company - will be among the first to go. Inspectorate has already taken preliminary steps. Ear-lier this year it announced that Wasserstein-Perella, the-Wall Street mergers and acquisitions specialist, had been retained to help it evaluate 4 per cent of its expanded capi-retained to help it evaluate tal, writes Our Financial Staff offers for the computer leasing subsidiaries. It is thought a deal will be reached before the end of the year, although it is not yet clear whether a sale,

financial restructuring, merger or joint venture is the most likely alternative. The two companies are most unlikely to be sold as a package. Inspectorate's IT activities are a division in name only. The US Meridian has been run by the same management team for the best part of a decade. It



Ian Orrock: MI looking for European partner

On the other hand MI, which has its headquarters in Virginia Water in the UK, was put together over the past two years from the rump of a num-ber of European leasing companies but has ambitions to be Europe's leading computing services company. Last year it had sales of £418m (\$642.9m) with profits of £16.4m, a much better result than might have been expected considering the costs of restructuring.

Mr Ian Orrock, Mi managing director, said the company's ideal partner or parent would be a big multinational with strategic objectives that embraced the whole of Europe and with strong high technol-ogy interests. While such a description clearly included a number of US organisations, he would prefer a European

Why should inspectorate be so willing to divest itself of an aggressive, fast-growing sub-sidiary in an important busi-

First, because Inspectorate, largely the creation of Mr Werner Rey, a Swiss entrepreneur, has never been fully commit-ted to the leasing business. The company acquired Meridian in the US in the mid-1980s. It was Mr Orrock who saw the possi-bility of building a pan-European computing services is a computer leasing com-pany, pure and simple, and seems content to remain so. business on that foundation and persuaded Mr Rey to invest some \$250m in acquisi

tion and running costs. IBL, two UK-based leasing companies, and ACI, a Swiss data centre management organisation, formed the spine of the company. A host of smaller acquisitions completed the skeleton. Nevertheless, the feeling in the leasing community was always that Meridian was being fattened for market

court action to force the return of the A\$1.2bn deposit.

At the same time there is renewed speculation that Mr Bond is seeking other buyers

rather than for retention. Second, the leasing business has become significantly tougher: "There is intense pressure from IBM which is driving companies out of business," according to Mr Neil Ashworth, marketing director for Atlantic Computers, the most successful and aggressive of UK leasing companies.

The European computing services market was valued at around \$32bn in 1988 and is year. Yet no single company has more than a 5 per cent market share, a reflection of its relative immaturity.

However, received wisdom is that in the 1990s it will be dominated by a handful of large, well-capitalised companies offering a broad range of ser-vices and able to take on the role of prime contractor in leading information technology

This perception is a big fac-tor in the wave of mergers and acquisitions now sweeping through the industry. Computing services conven-

activities such as software development, consultancy and facilities management; some will not allow that computer leasing is a true computing ser-

vice at all.
Why should this be so? Computer leasing is a dangerous, edgy business, favoured by entrepreneurs who take sub-stantial risks to turn a profit. They buy IBM or Digital Equip-ment (DEC) computers, systems that are the workhorses of the computer world and which have an accepted resale, or "residual," value.

The trick is to find a "head lessor," typically a bank, to finance the deal and collect the leasing payments. The leasing company makes its money out of relocating the system to other customer at the end of

Without added frills, such a business would be marginally profitable and deadly dull. The entrepreneurial flair of successful lessors is shown in their ability to "manage" their portfolios – to persuade their customers frequently to change or add to their systems.

MI has attempted to break out of the traditional leasing mould by adding divisions dealing with computer maintenance, facilities management, systems consultancy and disaster recovery. However, Mr Orrock agreed this week that leasing was and would remain the chief source of revenue for the forseeable future.

But he was still committed to the concept of creating a pan-European services group, pointing out that the company, through its leasing activities had a close relationship with more than 350 of Europe's top 1,000 companies, and was therefore in a privileged position to sell on new services.

He argued: "We have a group of elite customers. We have a huge market opportunity...We have the customers, we have much of the product already in place and in the next year or so we will be finding more muscle to put on the skeleton. We want to provide a one-stop shop and position ourselves as the leading vendor in

ixed-income derivative products are the most heavily traded securities on earth. But unlike the other major government bond markets the U.S., Japan, the U.K., Germany and France - there is still no futures market for Canadian Government bonds. In spite of the fact that the Canadian Government bond market is the sixth largest in the world and traded over \$385 billion last year.

The

Future

Canadian

Government

of the

Bond

Market

September

Starts

That's about to change. The Montreal Exchange is pleased to announce that the future of the Canadian Government bond market is here. Trading in our long-awaited Government of Canada bond futures contract begins on September 15.

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formation and brochure on contract specifications, contact The Montreal Exchange, wature Products, 800 Square Victoria, RO. Box 61, Montreal, Quebec H4Z 1A9 Tel. (514) 871-2424 Faz: (514) 871-3559. See Reuters Monitor pages MCBF and MCBG and Telerate page 27455.

Mayne Nickless to sell US armoured car division

By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security services group, is selling Loomis Armored, its loss-making US armoured car division, to Brink's, the US security group. A price was not dis-closed.

ity to raise capital.

Barclays de Zoete Wedd will manage the London listing, set for November, and Société Générale the Paris quotation Mayne Nickless said the sale did not affect its Loomis

operations in Canada or other Mayne Nickless armoured car businesses in the US.

The deal comes less than three weeks after Mayne Nick-less said it was studying a partial or complete sale of Loomis Armored. However, the com-pany revealed yesterday that at least a partial disposal had

been in prospect since March.

Mayne Nickless added that
the sale of Loomis Armored did not reduce its "commitment to further develop its extensive operations in North America."

In the year to June the unit suffered its first loss in 10 years under Mayne Nickless's

ownership. Although the size of the deficit was unspecified, it left the Australian company's total US operations

A\$2.4m in the red.

Mayne Nickless, which is 46
per cent owned by Amcor, the paper products group, reported worldwide net profits up 37 per cent to A\$113.9m (US\$87.4m).

KV HANDELSGESELLSCHAFT mbH

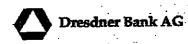
A company organised by:

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has acquired

KRINGS VERBAU GmbH World Leader in Large Area Shoring Systems

> Senior Finance Provided by



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Mezzanine Finance Provided by

> Kleinwort Benson Limited

ACCIAIERIE E FERRIERE LOMBARDE FALCK

> Italian Lire 50,000,000,000 Multicurrency term loan facility

This appropriesses appears as a matter of record only

Arranged by RASFIN

ISTITUTO BANCARIO SAN PAOLO DI TORINI

e Commerciaic Italiana

(London Branch) che Bank Luxembourg S.A. Union Bank of Switzerland

Banque Bruxelles Lambert S.A. sie Monegasque de Banque Crédit Commercial de France Dresdeer Bank Luxembourg S.A.

cario San Paolo di Torino

July 1989

ESAB AB

has acquired the assets of

L-TEC Company

The undersigned acted as financial advisor to ESAB AB in this transaction.

Dillon, Read & Co. Inc.

August 21, 1989

FT GUIDE TO WORLD CURRENCIES

DUNTRY	£ STG	US \$	D-MARK	YEN CX 100)	COUNTRY		€ 21€	US \$	D-MARK	YEN CX 100)	COUNTRY	£ \$1£	US S	D-MARK	CK 100)
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ote rate: (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports; (e) Financial rate; (f) Exports; (f) Non commercial rate; (p) goods; (m) Market rate; (o) Official rate; (p) preferential rate; (c) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; le data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.

Monday September 11, 1969.

TRADE INDEMNITY 52 01-739 4311



THE CREDIT RISK MANAGERS

MOROCCO ROYAL DECISION IN FAVOUR OF FOREIGN INVESTORS

In an effort to facilitate foreign investments in Morocco His Majesty King Hassan II addressed the following message to the Prime Minister Dr Azzedine Laraki

Economic development has always been and still is Our major preoccupation. It is all at once the indication of our society's cultural and intellectual level and one of the dynamic agents behind its promotion and prosperity. We have come to realize early enough that regardless of how great the efforts of the State are, Our goal cannot be fully attained without the massive contribution of the private sector whose action constitutes, particularly in the form of financial investment and know-how, one of the foundations of the development We wish for.

We have also come to realize for quite some time now that this contribution of the private sector could be effective only if it were fostered and assured of a legitimate degree of

With this in mind, We have taken or induced the taking of numerous measures which, in their totality, constitute Our Investment Codes.

The advantages offered by these Codes are obvious inciting factors which have not failed to produce their effects.

However, in view of the scope of the advantages offered, Morocco is falling quite short of the legitimate and reasonable expectations.

This inadequacy finds its major cause in the innumerable administrative procedures which, though necessary, are so slow as to discourage the most willing and best intentioned investors. Even when complete, files remain for months in the various departments while the interested parties await in total ignorance of the outcome.

Our economy can only suffer from this procedure which goes counter to our purpose.

We, therefore, have decided to put an end to that. Henceforward, any duly constituted file consisting of an investment project shall be considered as approved by the Administration when, two months from the day of its being handed in, no action has been taken. In case the file is rejected, the administrative decision shall be duly justified.

This measure - to be implemented immediately - shall be part of the provisions of all our Investment Codes where it is to be inserted.

Meanwhile, this measure shall constitute the object of a circular issued by the Prime Minister and sent out to all the State agents. Likewise, it shall be made known to the public by all appropriate means.

> HASSAN II King of Morocco

INTERNATIONAL CAPITAL MARKETS

Slide in junk bond ratings 'more rapid' than in 1988

By Norma Cohen

THE CREDIT quality of junk bonds down-the category of Caa and proper the level where the conjugative pressures on smaller competitive pressures on smaller competitiv tive pressures on smaller companies and weakness in real estate lending, high technology and retailing, according to a new study by Moody's inves-tors Service.

In the first eight months of 1989, 104 speculative-grade companies had their credit ratings downgraded as compared with 110 such downgrades in all of 1988. Nor are upgrades occurring in sufficient quantity to offset the decline in junk bond quality. Currently, downgrades of speculative-grade companies are leading companies are leading upgrades by a ratio of 2.8 to one. During 1988, there were 73 upgrades of junk bond ratings, offsetting about two-thirds of the 110 downgrades, effectively yielding a ratio of 1.5 to one.

Moody's also notes the sharp

the capital of Enimont, the Ital-ian chemicals group, was over-subscribed on the first day of

the offer and has been closed, Reuters reports. Requests from domestic and

owned by Montedison and the state-owned ENL It will be

listed on the Milan bourse.

increases. "The bottom rungs of the credit-quality ladder are occupied mostly by companies that either are in danger of or already have serious debt repayment problems – including default," the Moody's study notes. In the first eight months of 1989, there have been 46 downgradings to Caa or lower almost matching the 50 for all

Another way of gauging the condition of the lunk bond market is to compare the num-ber of demotions from investment to speculative-grade -the so-called fallen angels with the number of rising stars - those companies promoted from speculative- to investment-grade. In 1988, the 27 fallen angels were almost completely offset by 24 rising stars

number of junk bond down-gradings, Moody's says that market-related reasons were more than twice as prevalent as capital restructurings, paras capital restructurings, par-ticularly in certain industries. Investors are becoming aware that competition may be even more important than cyclical-ity when assessing the risk of a high-yield issue. Event risk, which often involves a hostile bid for control of a company, was not the primary reason for was not the primary reason for

downgrades.

Moody's notes that some of the perceptions of the increasing riskiness of junk bonds have been translated into higher-yield spreads relative to US Treasury bonds. While the spread averaged 4.2 per cent in 1988, it has been about 5.3 per cent in 1989.

HK watchdog abolishes Oversubscribed Enimont share capital market controls issue is closed

By John Elliott in Hong Kong THE ISSUE of 20 per cent of

HONG KONG'S Securities and Futures Commission, the col-ony's financial markets watch-dog, has abolished all but one of a series of controls imposed on capital market funds after the 1987 crash.
The commission said the

foreign investors widely sur-passed the 850m shares on offer. The issue, which was move was aimed at bringing Hong Kong broadly into line with international practice. It follows an official review of scheduled to run until Septem-ber 15, was officially closed yesterday morning. Just under half of the issue guidelines which, in the wake was reserved for foreign investors. The issue will raise of the crash, imposed additional requirements on capital L1,207bn. Enimont is jointly

Money market and bond funds are now treated the same as equity funds with one excep-

tion: they have a lower limit of permitted borrowing which is restricted to 10 per cent of a capital market fund's net asset

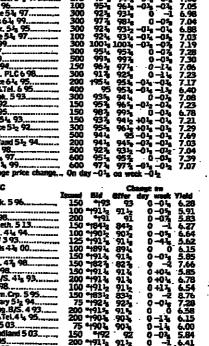
value, whereas equity funds are permitted to borrow up to 25 per cent.

The restrictions on Hong Kong dollar bond market funds which have been abolished include the need to maintain minimum cash levels and a HK\$50,000 minimum subscrip-

Money market funds are no longer to be subject to liquidity requirements, and certain advertising restrictions have been eased.

FT INTERNATIONAL BOND SERVICE

			_				Clos	ing pr	ices o	a Sep	rtern	æ
US BOLLAR STRAIGHTS IS	med B		kenge :		Yidd '	YER STRABERTS	Inned	111	Offer	der :	week	YM
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INTERNATIONAL CAPITAL MARKETS

Euro-houses face legal quandary

La Générale issue enlivens quiet sector

By Stephen Fidler, Euromarkets Correspondent

By Stephen Fidler, Euromarkets Correspondent

AS THE international bond market braced itself for the \$1.5bn "global" issue for the World Bank expected next (8 DOLLAR (8 DOLLAR)

week, market conditions per-

mitting – another underwiter-furthered the campaign to clean up new-issue practices in

the Eurobond market. Into a quiet market, Société

INTERNATIONAL

Générale launched a \$100m

issue for its Luxembourg

finance subsidiary and became

the third underwriter to experi-

ment with US pricing methods

in the Eurobond market over

and a spread of 67-68 basis

issue for New Zealand through Morgan Stanley and the \$300m issue for KfW through Deut-

sche Bank, underwriters agreed to sell the securities

into the market only at the

offer price during primary syn-

The four-year issue was

BONDS

the last month.

EUROBOND HOUSES in Blue Arrow affair, in which London were yesterday taking County NatWest failed to dis-legal advice about whether in close its true position in Blue declare unsold underwriting a rights issue, positions in new international the relevant part of the act tond issues. The relevant part of the act tond issues.

ZOAN SEPTEMBER

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They are scrutinising the failed to place with investors about 45 per cent of a £200m issue of domestic debentures for Allied-Lyons. The bonds

under section 47 of the UK act, which outlines underwriters' responsibilities not to create a false market in securities. The sensitivity of the issue

1988, but this is the first time Financial Services Act following last week's declaration by Baring Brothers that it had shough it is not unusual for underwriters to be left with unsold positions.

The 9% per cent debentures
were launched last week on to

were left with Baring and a weak sterling bond market
Cazenove, acting as sub-under amid flurries of speculation
writers.
about a possible bid for
Baring's declaration — Allied Lyons. The two factors umusual in the bond markets combined to make investors — was made, after legal advice, cless than enthusiastic about the issue. The bonds were placed on a yield basis, which did not allow Baring to adjust the price of the issue accord-

Soc.Generale Fin.Luxembourg

National Westminster Bk(a):

But and Co.int (Euryd).

basis points and no other fees

were payable.
Conventionally, Eurobond

managers take selling and

underwriting and management fees of 1% per cent for four-

Yesterday's issue was widely

- "breaking the syndicate" -

at close to its issue price with a minimum of stabilisation. Six

underwriters - all but two from the US - participated in

the transaction - Nomura, UBS, Morgan Stanley, Merrill

The distance 29

Toyota Tausho Fin.int.(f) ◆ SDS Bank Ltd.(e) ◆

AUSTRALIAN DOLLARS Fed.B'ness Dev.Bk Cons

SWISS FRANCS

offered into the market by year issues, but habitually underwriters with a coupon of offer them to the market at a 9% per cent at a price of 100.15 discount equivalent to full fees.

points over the relevant US regarded as having been well-Treasury bond. regarded as having been well-managed. Reflecting this, it

dication. For this, they took an Lynch; Shearson Lehman and

underwriting commission of 35 Goldman Sachs.

As in last month's \$500m moved into secondary trading

debenture with a UK listing, a London stock exchange announcement was required on the day of launch. Thus the question facing Baring was whether it should declare its position or say nothing. After advice from its legal advisers, Slaughter and May, Baring made the declaration.

Baring officials yesterday declined to disclose the numbers of bonds now left with underwriters, believing they had fulfilled their responsibilities under the act. The decision facing other London-based Eurobond underwriters is whether this advice is relevant to them. Eurobonds do not require statutory announce-ments, but underwriters have in the past been prone to exag-gerate the success of issues. This, lawyers believe, should cease, leaving the question about whether underwriters

NEW INTERNATIONAL BOND ISSUES

101 중

100

\$300m), 350p over 3-month Libor. Pall back rate +800p years 1-10, +120bp thereafter, b) Duel-currency issue. Borrower option to repay in US\$ at 74 cents per A\$, c) Indicated yield to put 3.978%, d) Redemption linked to Nikkei stock index, e) Fras coupon 25tp over 3-month yen Libor, thereafter based on formula linked to Nikkei stock index, f) Reverse dual-currency bond, Yen/A\$ linked.

Nevertheless, the applicabil-

ity of the procedure across the

Eurobond market will still be

questioned, given that Société Générale had the luxury of

bringing its own issue. This

would certainly be difficult
where competitive bidding
existed.

Bankers Trust brought a A\$50m dual currency issue for

the Federal Business Develop-

ment Bank of Canada in which

investors, being paid at the borrowers' choice in Austra-

lian or US dollars, effectively

sell a currency option to the

issue to carry a 19 per cent coupon, some 2% per cent

This allows the one-year

borrower.

Elsewhere in the market,

1994

Ible. ‡Variable rate notes. •Final terms. a) Issue increased from \$400m (Initial amount

1/3

15

securities.

British Funds .

UBS

15/14 Yamaichi int. (Europe) 15/14 Maruman Secs. (Europe) 15/2 Yamaichi int. (Europe)

above the normal market rate.

according to the lead manager.

• A first group of foreign

mutual funds, run by Standard Chartered, will be introduced

next month to Turks who have

been permitted to buy foreign

Yatirim Bankasi, the private

Turkish investment bank,

would market certificates for a

total of 26 mutual funds man-

siastic about marketing mutual

fund certificates in Turkey," said Mr Aydin Ulusan, general

manager of Birlesik Yatirim

The funds include foreign

"Foreigners are very enthu-

aged by Standard Chartered.

Bankers said Birlesik

holding unsold positions could comply with the act simply by saying nothing.

According to Mr Nicholas Wilson, a senior partner at Slaughter and May, the decision over Allied-Lyons - an "open and shut case" - would not necessarily be applicable in other instances. He expressed surprise that

Baring's move produced such a market reaction, given that the relevant section had been in force since April last year. The move comes as Eurobond underwriters are for other reasons attempting to improve new issue practices.

Mr Wilson said he expected underwriters of Eurobonds to make such announcements more frequently in the future, a development which many inside and outside the Eurobond market believe would be

Court backs US banks on asset-backed securities

By Janet Bush in New York

A FEDERAL appeals court has ruled that US commercial banks should be allowed to package loans off their own balance sheets and issue them as securities.

The 43-page ruling dealt directly only with issues of mortgage-backed securities but it seems likely that the decision will be applied to sales of securities backed by other assets such as credit card receivables and other forms of consumer and com-

mercial loans.
The latest legal decision reversed a ruling last December that Security Pacific National Bank, a subsidiary of Security Pacific, had breached federal laws separating commercial and investment bank-ing by underwriting an issue of mortgage-backed securities off its own balance sheet.

The US Federal Reserve has already cleared a number of banks' securities subsidiaries to underwrite asset-backed securities issues but the assets cannot come off their own bal-

ance sheets.
Securitisation has become increasingly popular with commercial banks under pressure to build capital.

By taking assets off their balance sheets, they can con-tinue to make loans but maintain the appropriate level of capital.

There is a possibility that the federal appeals court rul-ing will be reversed in the US Supreme Court.

The Securities Industry Association, which has fought numerous legal battles to prevent commercial banks from underwriting securities, said that it would consider whether to appeal at a board meeting on September 19.

• Continental Bank has offered \$380m of floating rate notes backed by leveraged buy-out loans from 10 banks, in the first issue of this kind, Renters reports.

The assets backing the secu-

rities are large US multi-bank loans. The identity of the loans involved was not disclosed The securities are to be placed privately in the US and will be offered in bearer form in the

Liffe sets launch date for three-month Ecu contract

ate interest is a system of des-

ignated market-makers, each

committed to manning the pit

for six months, making a 3

basis point bid offer spread in

ted themselves to make mar-kets, the latter two banks hav-

ing only recently joined the

"We would have liked a Brit-

By Katharine Campbell

with plans for a short-term interest rate contract on the Ecu, to be launched on October

The exchange first investigated the possibility of such a product three years ago, but until very recently ruled out the Ecu cash market as insufficiently liquid to warrant its own futures product.
"What has really convinced

us to go ahead now is the rate of growth of the Ecu market – in terms of more counterparties participating and a steadily growing variety of money market instruments." Mr Michael Jenkins, chief executive of Liffe, said yesterday. Around 60 per cent of European institutions surveyed by Liffe earlier in the year said they would actively trade an Ecu future.

Another catalyst for the move has been the avowed

THE LONDON Financial Futures Exchange is to proceed launch an Ecu contract. The we may find one by October, said Liffe chairman Mr David Burton, adding that his own launch an Ecu contract. The French exchange is contesting Liffe's position as the leading firm, Warburg, was not partici-European derivatives exchange. Liffe does not underpating because its Ecu trader had left two months ago. estimate the difficulties of creating a liquid futures con-The three-month Ecu contract will be the fourth tract on a nascent underlying short-term interest rate conmarket. One attempt to genertract on Liffe. Mr David Burton

> contracts a day.
>
> The Bank of England has for the first contract month and producing between them a some time been encouraging minimum turnover of 25 con-Liffe to proceed with an Ecu tracts per day.
> The Belgian banks Generale
> Bank and Kredietbank and the future, largely in the context of the Bank's Ecu treasury bill programme, which amounts to Italian Istituto Bancario an outstandings of Ecu 2.4bn.
> The Italian central bank has Paolo di Torino have commit-

> issued a range of Ecu paper with an average maturity of just over a year, of which Ecu 5.3bn is outstanding, although the secondary market is not ish member, too, but we hope active.

said he expected volumes to be

lower than on the recently

introduced Euromark future.

which averages around 4,000

Treasuries post modest gains

By Janet Bush in New York and Katharine Campbell in London

exchange.

US TREASURY bonds posted BENCHMARK GOVERNMENT BONDS modest gains at midsession yesterday, extending the steady advance of last week as the dollar stayed firm. At mid-

session, the benchmark long bond was quoted & point higher to yield 8.06 per cent. The dollar hit highs of Y148

GOVERNMENT BONDS

and DM2 before dipping back after co-ordinated central bank intervention. The US currency is likely to help set the tone in the Treasury market early this week as traders wait for the batch of economic data due on

Thursday and Friday.

August retail sales are due on Thursday and are expected to rise strongly because of healthy car sales. On Friday, the July trade deficit is released along with the August producer prices index, industrial production and capacity

■AFTER A weak opening, dealers marked up prices in the UK

	Coupon	Red Date	Price	Change	Yield	Week ago	Mont! ege
UK GILTS	13.500 9.750 9.000	9/92 1/98 10/08	106-03 96-26 95-16	-2/32 + 2/32 + 2/32	11.08 10.32 9.40	10.99 10.28 9.32	10.73 10.00 9 16
US TREASURY *	9.125 8.875	5/99 2/19	106-09 108-08	+ 10/32 + 3/32	8.17 8.13	8.22 8.18	7.96 7.95
JAPAN No 111 No 2	4.600 5.700	6/98 3/07	95.5212 104.9701	-0.171 +0.192	5.35 5.16	5.15 5.06	5.11 5.01
GERMANY	7.000	2/99	100.7000	-0.150	6.89	6.84	6.62
FRANCE BTAN OAT	8.000 8.125	1/94 5/99	97.4278 97.8400	+0.019 +0.010	8.71 8.45	8.67 8.39	8.47 8.25
CANADA "	10.250	12/98	104.2750	+ 0.075	9.54	9.52	9.22
NETHERLANDS	7.000	3/99	98.6100	-0.310	7.20	7.19	6.94
AUSTRALIA	12.000	7/99	94.2296	-0.104	13.05	12.93	12.95

Technical Date/ATLAS Price Source.

gilts market on the back of modestly encouraging figures confirming a slowdown in the economy.

Retail sales increased by only a provisional 0.4 per cent in August and producers' input prices fell 0.3 per cent, while output prices rose 0.3 per cent over the

month. The December long gilt 94.18 on Friday.

futures contract closed & stronger at 94.24.

THE GERMAN bond market opened weaker, in tune with most other European markets, depressed by the dollar's advance over the weekend. The bund future on Liffe fell particularly sharply during the afternoon, closing at 93.87 after

exchange, bonds and stocks. **LONDON MARKET STATISTICS**

RISES AND FALLS YESTERDAY

These indices a the institute			_					_		
EQUITY GROUPS	•	Aonday	Septe	mber 3	11 198	9.	Fri Sep	Thu Sep	Wed Sep 6	Year ago (approx
& SUB-SECTIONS	-	1 2	Est	Gross	· Est. P/E		 	 -	<u> </u>	
igures in parentheses show number of stocks per section	fedex No.	Day's Change %	Earnings Yield% (Max.)	Div. Yield% (Act at (25%)	Ratio (Net)	xd adi. 1989 to date	Index No.	ladex No.	Index No.	lođex No.
CAPITAL 60005 (208)	. 1002.12	67	10.81	4.89	11.35	21.20	1008.82		199.77	755.3
Building Materials (29)	. 11177.24 1586. 88	-0.7 -0.3	12.76 15.16	4.55 4.65	9.78 8.61	26.97 34.30	1185.22 1604.99	1182.85 1576.83		952.70 1516.2
Electricals (9)	3006.02	-11	5.28	3.95	15.03	5431	3048.88			
Building Materials (295	: 2287.5 1	-0.4	8.52	3.19	15.15	47.99		2283.84	2245.94	
Mechanical Engineering (56)	. 553.18	0.4	9.83	4.03	12.46	10.94		553.22 528.59	550.49 526.32	398.59 468.24
i Motors (193	1 261 14	-49	19.58 18.41	5.79 4.31	5.63 - 11.28	14.84	529.90 344.56	364.63	362.73	262.4
Other Industrial Materials (23)	. 1833.58	-1.2	8.44	3.86	14.13	34.02	1855.09	1866.16	1863.10	1244.87
CONCINED COOLID (1841)	17263 AE		7.86	3.89	15.96	22.58	1486.16	1408.39		
Brewers and Distillers (22) Food Manufacturing (20) Food Retailing (14) Health and Household (14)	. 1547.24	1.6	8.59	3.16	14.56	25.65	1572.70	1575.42		
Food Manufacturing (20)	.11207.38 14 74.36	-0.6 -1.3	8.47 7.67	3.49 2.61	14.78 17.24	21.07 38.37	1214.27 2680.80	1212.57 2687.22	1197.87 2450.03	988.67
Health and Household (14)	2658 47	1.5	5.34	2.61 1.55	21.27	22.32		2721.34		
Packaging & Paper (15). Publishing & Printing (19) Stores (32)	1826.45	-1.0	7.13	3:89	17.33	32.22	1845.77	1843.33	1886.03	1273.2
Packaging & Paper (15)	616.99	8.5	9.73	4.18	. 12.91	10.10	614.03	618.25	605.43	
Publishing & Printing (19)	. 13803.57	-0.9	- 8.39 9.56	4.43 4.68	15.34 13.66	98.37 17.64	3136.23 911.98	3844.84 988.19	3884.58 901.90	737.36
Tart los (14)	581.00	-0.3	18.25	5.02	11.67	15.40	583.84	581.79	576.53	536.37
OTHER GROUPS (93)	1211.76	, -3.5	9.64	3.97	12.60	23.23	1220.96	1229.98	1208.57	858.09
Textiles (14) OTHER GROUPS (93) Agencies (17) Chemicals (22) Conglomerates (13)	. 16 84 .07	-0.7	6.67	2.28	18.51	23.12	1615.26		1682.65	
Chemicals (22)	. 1339.72	-0.5 -1.4	11.07	4.63	16,65 11.88	49.83 28.35	1345.80 1749.54	1349.51 1763.53		1025.27
Transport (13)	2482.21	-8.8	9.90 8.78	4.73 3.77	14.77	42.06	2421.48			1889.84
Telephone Networks (2)	1188.65	-0.2	10.30	4.18	12.66	22.38		1176.53	1153.86	915.45
Telephone Networks (2)	1926.45	-1.1	9.82	3.31	12,51	29.18	1947.53		1936.63	
INDUSTRIAL GROUP (485)			9.13	3.60	13.51	23.07	1267.72	1267.65		928.84
011 & Gas (15):	. 2263.87	-0.7	9.52	4.95	13,92	<u>73.6</u> 7	2279.36		2217.98	1693_19
500 SHARE INDEX (500)	1342.20	<u>8,0</u>	9.18	3.78	13,57	27.29	1353.63	1350.25	1337.55	986.43
FINANCIAL GROUP (121),	819.79	-0.6		5.04		24.28	824.58	819.45	810.53	662.75 636.89
Banks (9)	1243.24	-0.4 -1.2	28.69	5.98 4.85	6,35	34.86 38.47	\$37.23 1257.90	833.97 1245.74	823.52 1236.65	999.59
insurance (Composite) (7)	656.66	12	<u>-</u>	5.78	🗐	21.91	664.54	652-44	637.52	516.42
Insurance (Life) (8)	985.78	-8.4	7.62	6.38	17.52	31.89	989.91	986.83		914,05
Merchant Banks (10)	461.89	10.4	6.31	3.99	29,24	7.37 19.78	490.39 1386.66	397.99 1387.71	395.40 1381.65	318-84 1153.91
Other Financial (31)	.1380.41 .371.67	-9.5 -8.3	10.76	2,91 5.90	11.96	10.48	372.94	373.43	370.57	352.76
		-0.3		2.61		18.62	1288.54	1287.34		888.12
Mining Finance (1)	745,49	-1.2	8.82	3.44	13.83	15.84	754.47	753.19	742.92	509.51
Overseas Traders (8) ::	<u> 11516.09</u>	-1.8	9.18	4.91	12.43	43.67	1543.93	1506.83		2178.05
ALL-SHARE INDEX (699)		8.8	-	3.94		26.23	1225.79	1221.83		904.40
	Index	Day's	Day's	Day's	Sep	Sep	Step	Sep	Sep	Year
	No.	. Change	High (a)	Low (b)	8	7	6	5_	4	290
FT-SE 109 SHARE INDEX#	2480.6	-23.3	2425.3	2489.4	2423.9	2415.9	2390.8	2426.8	2419.2	1744.6
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FIXED INTEREST							AYERAGE GROSS REDEMPTION YIELDS	Mon Sep 11	Fri Sep 8	Year ago (approx.)
PRICE INDICES	Mon Sep 11	Day's change %	Fri Sep 8	xd adj. - today	xd adj. 1989 to date	1 2 3	British Government Low 5 years Coupons 15 years	9.73 9.33 9.25	9.76 9.32 9.23	10.82 9.65 9.36
British Government 1 5 years	117.60 132.92 142.92 165:76	+0.13 +0.17 -0.88	132.74	0.95	8.67 9.40 10.96 8.83 9.45	5 7 8 9	Medium 5 years Coupons 15 years 25 years 25 years High 5 years Coupons 15 years irredeemables 1	10,67 9.73 9.36 10.78	10.69 9.74 9.37 10.79 9.95 9.53 9.27	10.44 9.89 9.59 19.58 16.62 9.58 9.30
Index-Linked 6 5 years	148.52 139.04	+0.05	140.51	5.24 0.22	2.26 2.89 2.82	11 12 13 14	Ledex-Linked Inflation rate 5% Inflation rate 5% Inflation rate 10% Syrs. Inflation rate 10% Over 5 yrs. Inflation rate 10% Over 5 yrs.	3.02 3.50 2.25 3.34	3.02 3.51 2.25 3.35	3.51 3.95 2.48 3.78
9 Bakestans & Lauss 10 Preference			113.63 89.30		6.87	16 17	Belts & 5 years	13.06 12.84 11.40 10.19	13.86 12.64 11.40 10.20	11.53 11.33 11.20

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DISTRIBUTION SERVICES The Financial Times proposes to publish this Survey on 17 OCTOBER 1989 For a full editorial synopsis and advertisement details, please contact: NEVILLE WOODCOCK on 01-873 3365 or write to han at: ber One, Southwark Bridge London SE1 9HL. **FINANCIAL TIMES**

UK COMPANY NEWS

Oxford Instruments buys Link Scientific for £57m

By Andrew Hill

OXFORD INSTRUMENTS Group, the high technology company, has made its largest acquisition to date, buying Link Scientific Group from Carlton Communications, the television services business.

for up to £57.5m.
Link claims 25 per cent of the £100m worldwide market for X-ray analysis equipment and was part of UEI, the digital processing and engineering company which Carlton bought in May.

The combination with existing analytical equipment inter-

ests should push Oxford anead of the joint market leader,

Kevex of the US. Mr Peter Williams, Oxford's chief executive, said the group had always been interested in Link. The subsidiary was the principal strategic attraction when Oxford and UEI opened unsuccessful talks about a merger in 1987, and Oxford approached Carlton about buying the division immediately the TV group announced its agreed bid for UEL "I have known Michael

on his door pretty hard," said Mr Williams yesterday, adding that Oxford's "pre-emptive strike" had won Link in the face of competition from rival

technology groups.
Oxford will pay an initial £47.5m cash to acquire Link free of debt. A further payment of up to £10m in shares depends on the amount by which Link's operating profits in the year to September 30 1990 exceed £4.75m. In the year to January 31, it made operating profits of £4.07m on sales of

The group said the purchase would not dilute earnings per share in the first year, but might have a slight dilutive effect in the following 12 months depending on the size of the deferred payment.

Four months ago Oxford sold a controlling interest in its medical magnets division to Siemens, the West German electronics group.

Oxford said yesterday that the establishment of the joint venture had initially caused some of the division's customers to postpone orders and

warned that this would have an adverse impact on first half profits.

However, the company said this would probably be more than offset by a £5.5m profit on the sale of the magnet division's assets. Oxford's shares yesterday slipped 9p to

lp. Link manufactures systems for analysing X-rays emitted from materials. For example, the systems can be used in electron microscopes to search for minute imperfections in alloys used by the aerospace industry. Link also owns USsubsidiaries which supply high purity germanium and nuclear instrumentation, and design and manufacture X-ray tubes and power supplies.

"Oxford's analytical equip-ment division is centred on industrial quality control; Link is at the higher technology end of the business," said Mr Williams yesterday. He said the engineering disciplines of the two subsidiaries would be kept senarate, but Link would benefit from Oxford's marketing

Hostilities begin at defence contractor

Clay Harris and Andrew Bolger on Meggitt's surprise attack on USH

T NITED Scientific Holdings did not need one of its night sights to detect that a hostile bid might be on the way.

Buffeted by two unprofitable contracts at its UK-based Avimo subsidiary, the defence equipment manufacturer saw pre-tax profits slide to £10m in 1987-88. But things turned out even worse than expected, and USH fell £5.5m into the red in the six months to March 31 and passed its interim dividend.

This was the crowning blow to a dreadful year for USH. It tried and failed to buy Varo, a Texas-based manufacturer of night-vision devices, then sold at a loss Fernan Avionics, a UK maker of ground naviga-tion systems and radio surveillance equipment. Its chief exectance equipment. Its ciner executive, Mr David Fraser, resigned last September as the Avimo losses began to emerge, and Sir Frank Cooper, former permanent secretary at the Ministry of Defence, retired as chairman in March.

So USH had been scanning the horizon for hostile fire for some time: looking in the direction of Vickers and GKN, for example, competitors to its Alvis armoured vehicle subsidiary, the manufacturer of the Scorpion light tank and the Stormer multi-purpose light armoured vehicle. Or perhaps from Pilkington, a rival in electro-ontical devices

it arrived from an unexpected direction. Meggitt, although also a defence contractor, has no experience in USH's own products. USH seemed almost palpably relieved at the iden-

tity of its foe.
"Neither in terms of value or of industrial fit do we consider it desirable," said Mr Nick Prest, USH's deputy chief exec-ntive. Meggitt, he said, was merely a module and sub-assembly manufacturer, while USH supplied sophisticated finished systems to end users.

The dismissive initial resction matched the aggressive tone of Meggitt's attack. The bidder laid the blame for USH's "dismal" profits record of the past five years directly at the door of the target's "management merry-go-round." In that period it has had three chairmen and three chief executives, the first and most nota-ble of which was Sir Peter Levene, since 1985 head of the MoD's Procurement Executive. Analysts were loth to date the beginning of USH's decline from Sir Peter's departure; indeed one corporate insider

tantamount to genius." In its defence, USH will point

said "his sense of timing was

to the value of its publicly quoted subsidiary, Avimo Singapore, started as a greenfield operation in 1974. USH's 65 per cent stake is now worth £43m.

Electronics £9.32m

cutting tools, through the £2.8m acquisition of Isnley (London) in 1984. In 1985

gitt's sales by 75 per cent. Meggitt's last contested bid was in 1986, when it won con-trol of Bestobell, the electronic

It will also stress that it has rebuilt Alvis's order book from the lean years of the early 1980s to a present level of about £110m. Among the major contracts at present are the first 140 Stormers for the British army - worth £300,000 each - and 85 Scorpions for

Meggitt, on the other hand, will stress its own manage-ment record. In spite of spending more than £200m on more than 20 takeovers over the past five years, it resists the tag of acquisitive conglomerate. Mr Ken Coates, managing director, said yesterday: "We are engi-neers first and foremost and try to follow our expertise."

Formerly a small loss-making machine tools engineer in Wimborne, Dorset, its rapid expansion started in 1984 when it was the subject of a 3i-sup-ported management buy-in by Mr Coates and Mr Nigel McCorkell, finance director. Mr Coates and Mr McCorkell had already helped to turn around Flight Refuelling, an aerospace supplier also based in in Wimborne; They made it clear from the outset that they

were primarily interested in using Meggitt as a springboard for high-technology acquisitions in aerospace and defence. The balance sheet was quickly strengthened with the help of two eights between which priced two rights issues, which raised £2.7m in nine months. Meggitt's first move was into

Negretti, a supplier of aircraft instrumentation, quadrupled Meggitt's turnover when it was acquired for £16m in shares. The £3.5m acquisition in 1986 of Holsworthy, which makes electronics components and micro-circuits, boosted Meg-

Ken Coates: we are engineers first and foremost and try to follow our expertise . . . we are not break-up specialists

and mechanical components manufacturer, for £85m. It had a powerful advantage in that the bid was backed by BTR, the industrial conglomerate, which converted its 29 per cent stake in Bestobell into an 18 per cent holding in the enlarged Meggitt.

Mr Norman Ireland, former BTR finance director, is a non-executive director on both boards, but Meggitt said yesterday that he was playing a les prominent role in this bid that in the current battle by Bowater Industries (where Mr Ireland is also on the board) for

Norton Opex.

Meggitt moved quickly to dispose of most of Bestobell's overseas outposts. However, its US involvement was stepped up last year with two purses worth \$40m - of Plastic Fabricating, a Kansas-based components maker, and New York-based Ragen data systems, which makes engine and air data systems.

Its most recent move came last September, when it made an agreed £33m bid for Microsystems Group, the USM-quoted maker of elec-

tronic products such as ticket machines, taxi meters and tele-phone-logging systems. Meggitt cites this as an example of how quickly it sorts out problems. Raitel, a money-losing subsidiary making security tele-phones for sheltered homes,

was sold within weeks. At USH, however, Mr Coates disclaims any such intention: "We are not break-up special-ists." He could not think of any part of USH which would not fit into an enlarged Meggitt. But if he should succeed and

But if he should succeed and then change his mind, Mr Coates will be spoilt for choice. "Meggitt could well be offered a very decent price for Alvis by Vickers or GKN," said Mr Simon Street of Barclays de Zosta Wedd, Or Pilkington for Zoete Wedd. Or Pilkington for the electro-optics side.

Of course, one of these usual suspects - or another - may decide to do the break-up itself, or USH may unveil a defensive link on the electro-optical side with a European partner. The only certainty is that Meggitt's opening shot worth between 150p and 170p will not carry the day. But the bidding is

VPI offshoot grand jury probe

NEW YORK State criminal investigators are looking into The Carter Organisation, the Wall Street proxy solicitation firm owned by VPI Group of the UK, after allegations that the firm may have padded its bills to clients.

The investigation, which is being conducted before a State Grand Jury, is also looking at the tax affairs of Mr Don Carter, the company's founder and chairman who sold the business to Valin Pollen International of the UK for \$76m in

Mr Reg Valin, chairman of the UK consultancy and public relations group, yesterday con-firmed that VPI, Carter and Mr Carter had all been subpoenaed by the grand jury. On the basis of legal advice, we are confident that no further action will be taken," Mr Valin

Carter referred all enquiries New York State Attorney General's office did not wish to

The investigation, which was apparently set off by a former employee of Carter, is looking at allegations that the firm billed its clients for millions of dollars of expenses which were never incurred. Mr Valin said that the grand jury was also looking at personal tax matters from the time before the sale of the business when Don Carter and The Carter Organisation

were one for taxation purposes. Mr Carter, 41, a flamboyant and popular figure in New York, founded the business with just \$3,000 in cash after a stint as a research analyst for Mr Carl Icahn, the well-known takeover specialist. The firm, which specialises in the laborious business of soliciting proxy votes for stockholders' meetings, took off in the early 1980s when a new generation of corporate raiders, such as Mr T. Boone Pickens and Sir James Goldsmith, started waging battles for shareholder votes to gain control of big corpora-

Mr Carter is best known for a computer database he dili-gently pieced together of influential holdings in big corporations. But apparently his billing mechanism was not computerised. "There was a strong manual element," Mr Valin said. "It wasn't very sophisticated but it has been very carefully checked by the lawyers and it stands up. In fact, in some cases, there was a substantial under-recovery of

costs from clients." VPI paid \$76m for the business in the summer of 1987 while providing Mr Carter with a share of future profits for three years under an 'earn out' agreement. But the takeover business has declined sharply since the sale and Mr Valin said yesterday that profits were unlikely to cross the earn-out threshold this year or

United Scientific Share price (pence) 120 1989 1986 £120.45m Electro~cotics <u>£73.31m</u> Others. Simulation £4.57m £11.75m distribution

£12.30m

Energy £23.07

Land

Lasmo natural gas find in Pakistan

By Steven Butler

THE LONDON & Scottish Marine Oil company (Lasmo), yesterday said it had found natural gas at Kadwanwari in the Tajjal concession in Pakistan's Sind Province in its first drilling of a concession granted in

This advertisement appears as a matter of record only.

A well flowed at rates in excess of 28m cubic feet a day

Reuter news agency yester-day quoted Mr Jahangir Badar, the Pakistani oil minister, say-ing that the gas was of high

quality and free of sulphur. He added that commercial production could begin about three

years. Lasmo said that further testing would be required to assess the commercial significance of

This announcement appears as a matter of record only.



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Swiss Bank Corporation

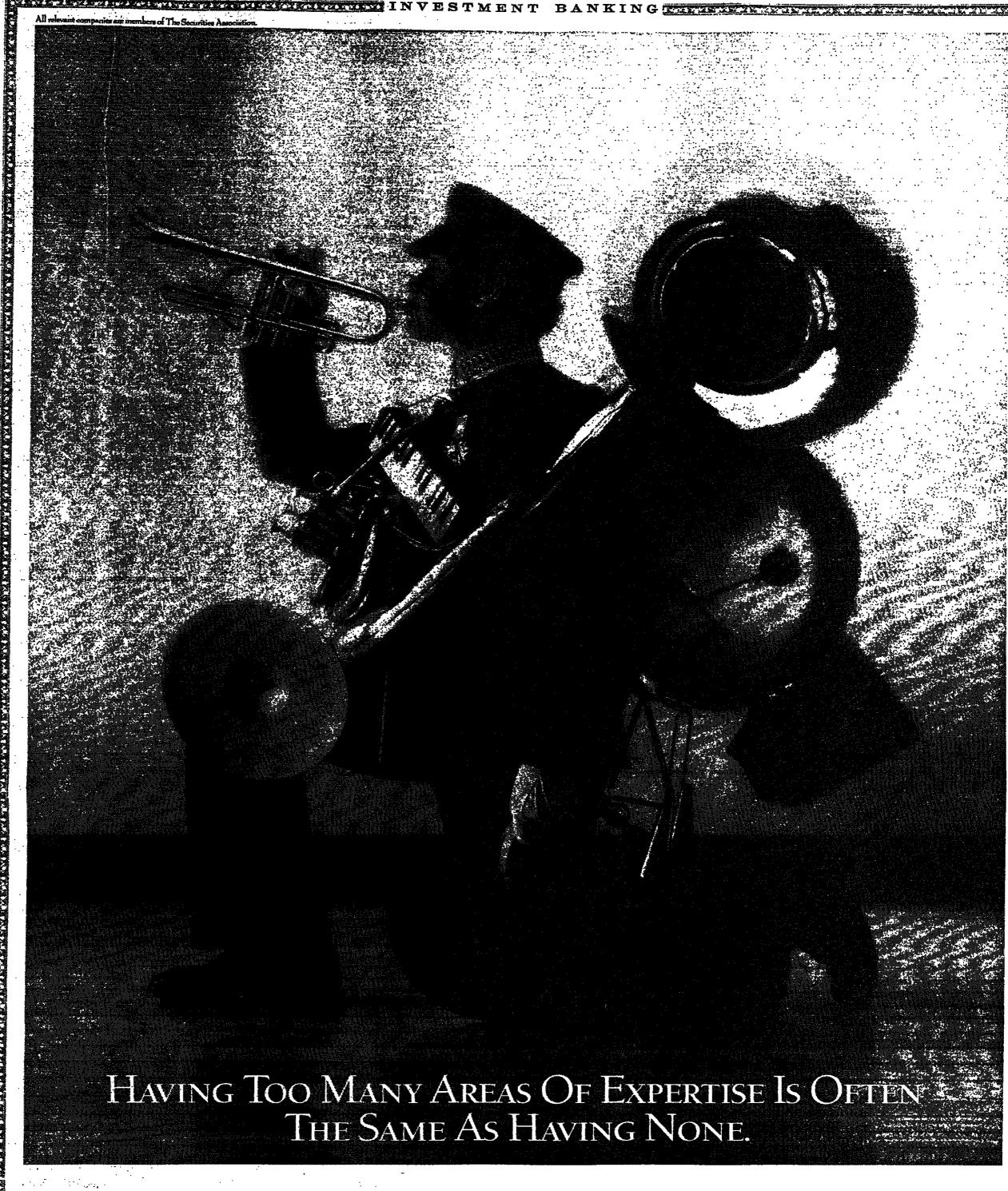
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The Toyo Trust and Banking Company, Limited Union Bank of Finland Ltd

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> Swing-Line Agent Barclays Bank PLC, New York



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than in the complex arena of investment banking.

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to work in select areas: UK and International Equities,
Corporate Finance, Interest Rate and Currency Risk

Management and Specialised Banking. Areas in which we've gained a reputation for excellence.

We aren't all things to all people. But then, we aren't trying to be.

Security

Pacific

Hoare

Govett

N EDGE WXX

	1st Half 1989	1st Half 1988
		£m
Turnover	434.55	318.07
Profit before tax	43.07	34.11
Earnings per share	17.4p	15.1p
Interim ordinary dividend	3.9p	3.4p

Pre tax profit up by 26% Earnings per share up by 15% Dividend up by 15%

Delta Crompton Cables: Commercial integration completed successfully

Strong contribution from U.S. and Australian acquisitions

Copies of the Interim Report for the six months ended 1st July 1989 from which the above is an extract are available from the Secretary, Delta plc, 1 Kingsway, London WC2B 6XE

DETERMINED DELIVERY

CABLES - CIRCUIT PROTECTION - ENGINEERING - INDUSTRIAL SERVICES

HALF YEAR HIGHLIGHTS

Earnings per share (fully diluted) (pence)

Interim dividend per Ordinary share (pence)

• Earnings per share up 10%

Profit before tax up 11%

Interim dividend up 40%

Forecast total dividend increase of not less than 20%

The above extracts are taken from the full half year results which will be posted to shareholders on

26 September 1989. Copies will then be available from the Secretary, Suter p.l.c., St. Vincent's,

MID WALES

The Financial Times proposes to publish a Survey on the above on

3RD NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes

on 021-454-0922

or write to him at:

George House, George Road

Edgbaston, Birmingham B15 1PG

FINANCIAL TIMES

Unaudited Results

Profit before tax (£ million)

Grantham, Lines NG31 9EJ.

for Half Year to

Turnover (£ million)

UK COMPANY NEWS

Panel condemns Samuel Montagu over Norton bid

THE TAKEOVER PANEL has ding for De La Rue, the bank- Panel has intervened in the condemned the conduct of note printer. Bowater's bid for complex and bitter takeover Samuel Montagu, the mer-chant bank advising Norton Opax in its three-way takeover battle, as "unacceptable", writes Andrew Hill

Montagu failed to make Nor-ton's latest letter to sharehold-ers available to Bowater Industries, the packaging and industrial products group bid-ding for Norton, until yester-day morning, although it was

posted on Saturday. Bowater is offering £382m for Norton, which is in turn bid-

the specialist print and packaging group will lapse on Friday if Norton shareholders yote against the De La Rue offer at a special meeting. Bowater owns 28.9 per cent of the votes in Norton which it will cast against the deal.

Montagu's conduct, said the Panel, was unacceptable in the context of the tight timetable of the bid. Montagu said the error was due to "an over-

sight".
This is the second time the

struggle. Last week, it ruled that Bankers Trust International should step down as one of two advisers to Bowater because of a potential conflict of interest.

In its reply to the Norton document – issued to the Stock Exchange just before 6pm last night — Bowater repeated its allegations that the offer for De La Rue was "financially very risky, illogical and not in shareholders'

Bowater questioned Norton's illustration of growth in profits which indicated that Norton's earnings per share would not be diluted by the acquisition of De La Rue.

The packaging group also implied yesterday that Norton's promise to reduce the company's borrowings limit from 11 times adjusted capital and reserves to five times and, in due course, to three times, was still too vague. "How long should shareholders be exposed to the risks of exces-sive gearing?" asked Bowater.

Bowater's offer for Norton is worth at least 225p a share, compared with yesterday's closing price of 217p, up 1p.

Norton's increased and final offer for De La Rue is worth 410p a share at the nominal

value agreed with the Panel last week. That compares with De La Rue's share price of 382p, down 2p.
Separately. Norton amounced that it had bought a further tranche of De La Rue shares, taking the holding of Norton and associates to 2.01

Interest rates expected to limit growth next year Rugby advances 28%

By Andrew Taylor, Construction Correspondent

AFTER THE recent sharp growth, UK construction prof-its may increase much more slowly next year, warned Mr Andrew Teare, managing direc-tor of Rugby Group, the UK cement and building materials

Yesterday be suggested that high interest rates could limit investment in private commer-cial and industrial develop-ments as well as in housebuild-

Rughy yesterday announced a 28 per cent increase in pre-tax profits during the first six months of 1989. The rise from £31.51m to £40.31m and largely expected was helped by increases in cement and reinforced steel sales to the UK

construction industry.
Turnover rose by 36 per cent to £324.91m (£238.3m). This was despite a big fall in British housebuilding which limited growth in UK joinery profits to 6.8 per cent.

Mr. Tears said that results

1 July

22.1

12.2

2 July

1988

119.1

19.9

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2.0

Mr Teare said that results

Rugby Group, which has been slowly expanding its Continen-tal building material operations, has acquired for Fl 30m (£8.69m) Langenberg Beher, which manufactures steel construction products for the Dutch, Belgian and West

The British group already owns Vertal a French glass manufacturer and De Vries a Dutch joinery business. Rugby's interim results showed continental glass profits rose by 43 per cent from £310,000 to £444.000. Continental joinery profits rose by 43 per cent to £723,000.

next year would depend upon how quickly the UK repair, maintenance and improvement market recovered. This would depend on the timing and extent of a fall in interest

He remained concerned at the impact high interest rates would have on commercial and industrial development. "There is no sign yet of orders declining. It would be wrong, however, not to consider the effect interest rates of 14 per cent will have on financing arrangements for private investment in offices and factories," he

to be no more than 5 to 10 per cent at the end of this year -despite capital spending of more than £80m during the past two years — is well placed to ride out what may be a flat-ter year for profits," Mr Teare

"Rugby, with gearing likely

The group would benefit from long-running projects like the Canary Wharf office development in London and the Channel Tunnel, where Rugby was supplying steel reinforcement for the tunnel linings. Earnings per share rose from 6.96p to 9.02p in the first half. The interim dividend increased

housebuilding during the first six months of the year, pre-tax profits of Wilson Connolly, the

housebuilder and property

developer, rose 10 per cent from £23.38m to £25.8m, writes

ing business is in East Anglia and the east Midlands which

according to Halifax building

society have this year seen some of the highest falls in

house sales.

Mr Ian Black, commercial director, said the company sold 770 homes in the first half compared with 1,400 homes in the same period of 1988.

Househulding profits fell by

Housebuilding profits fell by over a quarter from £18.85m to £13.84m. Mr Black said the

company had budgeted to sell

about 950 homes during the first six months. It now expected to sell 1,700 homes this year compared with 2,100 homes in 1988.

Profits from commercial property sales, however, increased from £4.27m to

£11.11m. Turnover from property sales rose from £9.35m to

Mr Lynn Wilson, chairman said: "These can be regarded as creditable results in what has been a most difficult time for

the new homes industry as a result of the Chancellors's policy of bringing rising inflation under control by means of the

interest rate mechanism."

Earnings per share rose from 8.4p to 9.3p. Group turnover expanded 5 per cent to £97.88m (£93.11m). The interim dividend

is increased to 1.15p (1p).

Wilson Connolly is a must for

any long term investor in housebuilders. It has one of the longest landbanks of any builder, most of it acquired

years ago at cheap prices, and

is able to command excellent margins on sales even in a

downturn. Housebuilding prof-

its in the first half, however,

have suffered by comparison with the first six months of

last year, when the group was really steaming ahead. A cut in

sales volume of almost a half is

difficult contend with, no mat-

ter how good your margins. Comparisons with the second half of last year will be less

harsh. Housing profits should again be down but nowhere near as much as in the first

© COMMENT

The company's housebuild-

Andrew Taylor.

Rugby Group Share price (pence) 200 180 160 140 120 100 80

- 1968

1989

from 2.3p to 2.85p.

Rugby is one of the few building material companies which can expect earnings per share to grow by more than 20 per cent this year. UK cement volumes, assisted by increased imports, are running 9 per cent higher than at the same stage last year - almost double the volume increase achieved by Blue Circle, the UK's higgest cement manufacturer. The increase in profits from Rug-by's UK joinery business is a creditable performance given the state of the UK housing market but joinery profits will be under pressure in the sec-ond half. Australian cement and lime sales should be good in the second half although cement sales next year may be flat. The concern, is not this year's profits which should be

about £90m. Rugby, next year, however, should be capable of

Wilson Connolly bucks

trend with rise to £25.8m

DESPITE A sharp fall in UK half. Fortunately Wilcon can

about next year's growth.

look ahead to a steady stream of commercial property sales to compensate for the decline in

housing profits. With good tim-ing on sales the group should still make about pre-tax profits

of £57m this year compared with almost £58m last year. A prospective p/e of more than 7.5 puts it right at the top of

O COMMENT

1987

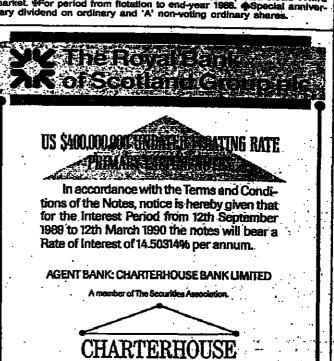
profits of about £100m which would still provide earnings growth of about 11 per cent. The company deserves its rating of about 9% times prospective earnings but this is unlikely to improve while sentiment is affected by warnings

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Secutord	Sep.
Bentelis	Sec.
Bourne End Properties	Sep.
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Connell	Sec.
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Guidehouse	Sec.
Higgs & Hill Jacks (William)	Oct.
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the housebuilding rankings This may be deserved but the price is unlikely to see much growth with sentiment going against housebuilders

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Vitaint	. 4.2	Nov 6	2.8		6.5
Dettaint	3.9	Dec 1	3.4	٠.	11.2
Graig Shipping	3.5	Oct 9	• .		
Haynes Pubfin	11	Oct 31	10	19	17
Kleinwort Ben infin	27.8	-	20.57	57.3	38
Meggittint	1,1	Dec 1	0.9		. 2.75
Rugby Groupint	2.85	Nov 24	2.3	_	5.2
Rutland Trustlot	0.27†	Nov 20	0.21		0.63
Sanderson Murrayfin	5.5	•	5.5	5.5	5.5
Sherwood Comp §Int	0.75	•	. nil		nii
Spandex §int	1.5	Jan 12	1.5	-	4.25
Suterint	28	· · ·	2		7
Walker (Thomas)fin	1.22	-	1.3	1.48	1.475
Waterman P'shipfin	4	Oct 27	1.5%	6	1.5
Wilson Connollyint	1.15	Oct 23	1	-	3

"Equivalent after allowing for scrip issue, tOn capital increased by rights and/or acquisition issues. \$USM stock, \$SUnquoted stock, \$Third market. \$For period from flotation to end-year 1988. \$Special anniversary dividend on ordinary and 'A' non-voting ordinary shares.



Delta turns in 26% rise to £43m

By Richard Tomkins, Midlands Correspondent

DELTA, the electrical equipment, engineering and industrial services group that merged its cables business with Hawker Siddely's to form Delta Crompton Cables in January, turned in a 26 per cent increase in profits for the first half of 1989.

The practic forms rose from the first vices, helped by two acquisitions in Australia surged from

The pre-tax figure rose from 234.11m to £43.07m on turnover up from £318.07m to £434.55m.
Earnings were ahead by 15 per cent at 17.4p (15.1p) and the interim dividend is raised to 3.9p (3.4p).

The merged cables business, making its first contribution, is 64 per cent owned by Deba and 36 per cent by Hawker Siddely. However, Mr Robert Easton, Delta's chief executive, said only a portion of the group's profit increase had arisen from

the merger. Greater benefits would come after a period of reorganisation and rationalisation stretching over the next 18 months or

Four of the merged company's five sites were closing and production would be switched among the five remaining sites to optimise efficiency.
"It's a military exercise of enormous proportions," Mr

The cables operation turned in pre-tax profits of £14.13m (£9.51m), while the circuit protection division, split off from cables for the first time, made

BOARD MEETINGS

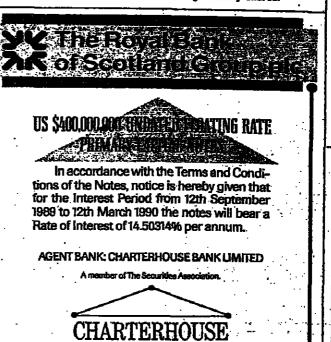
The inflowing companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Clinical indications are not evaluable as to whether the dividends are interims or finale and the applications are the storm below are based mainly on lest year's timetables.

Interims—ASD, Bodycote Intl. CI, Edmond, Hibernian, Interfact Express, paco, Kerry, Kingfisher, Laing Properties, MTL Instruents, Meyborn, Mestac, Nortolk Captus, Ocean Transport & Trading, Readymix, Soptish Heritable, Sunsti, TI, UK Paper, United Plantations Airica.

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Jones & Shipman	Sep. 2
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Vilson Connollyint	1.15	Oct 23	1	-	3
Dividends shown pence	per shar	e net exce	pt where o	otherwise	e stat



to £8.45m (£6.7im).

The engineering division, which saw some weakness in demand for plumbing fittings, made a relatively small advance from £9.97m to £10.77m, but industrial services, helped by two acquisitions in Australia, surged from £5.23m to £11.74m

£7.83m to £11.74m. Mr Geoffrey Wilson, chair-man, said trading conditions in the group's main electrical market remained firm, with the impact of higher interest rates limited mainly to the

engineering division.
Since the effects were being measures, he looked forward to a good result for the

cushioned by further efficiency

COMMENT

There would have had to have been something exciting in Delta's results for the compa-ny's shares to buck the poor market but there was not, and they shed 7p to 352p. True, the £11m increase in pre-interest profit looked healthy enough, but analysts calculated that £3.5m of it came from the new cables business and another £3.5m from acquisitions, leav-ing the remaining £4m worth of organic growth unexceptional. Disconcertingly, per-haps, the larger part of that organic growth also seems to stem from South Africa and Australia rather than Delta's UK heartland or Continental Europe. The market, though. is happy to mark time. £90m in store for the full year. the shares are still at a dis-count to the average on a pro-spective p/e of under 10, and the price is underpinned by the ss yet unquantified, but apparently substantial, benefits to accrue from the cables merger.



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UK COMPANY NEWS

Strong profits in core industrial divisions help offset property fall

Corporate activities boost Suter

Abell, lifted pre-tax profits 11 per cent in the six months to July 1 aided by a sharp increase in returns from corporate activities.

Pre-tax profits exceeded City Pre-tax profits exceeded City forecasts in rising from £19.8m to £22 im while earnings per share reached £2.2p (11.1p). The result was accompanied by £8p (2p) interim dividend and a forecast that the total would rise by at least 20 per cent. Suter's core industrial operations in refrigeration distribution, speciality chemical manufacture and valve production each made strong contri-

tion each made strong contri-butions to the group result which helped to offset a slide

in the property division.

The refrigeration business was the principal influence behind a 23 per cent rise in the distribution division's advance in pre-tax profits to \$2.7m.

Mr Abell said that the higher refrigeration standards being demanded by retailers, in the wake of the series of food con-tamination scares, strength-ened the performance. Chemi-cal operations formed a solid foundation for a 38 per cent increase to £9.9m in pre-tax

THE GUARDIAN and Manch-

ester Evening News, the hold-

ing company which publishes The Guardian, is expanding into television production via

an agreed £12.4m bid for Broad-

Market, is one of the UK's largest independent producers. It currently makes Channel 4's

Business Daily programme and recently won the contract to supply the television pictures

from the House of Commons when live broadcasting starts in November.

GMEN already has invest-

Broadcast Communications,

SUTER, the industrial holding profits by the industrial group. company headed by Mr David Mitchell Cotts Chemicals, a remnant of the takeover of Mitchell Cotts in July 1987, per-formed ahead of forecast while Pentagon Chemicals acquired early last year made a small contribution to an overall doubling in profits from operations in the industry.

in the Industry.

The property business generated pre-tair profits of only £300,000 (£5.1m) which Mr. Abell said due to the timing of the completion of projects. The disposal of a 43-acre site in Braintee, Esser should help ensure a major contribution. ensure a major contribution from property activities in the current half, he added.

Before the inclusion of returns from associate compa-nies and corporate activities, these industrial and property activities made a combined contribution to group pre-tax profits of £12.9m (£14.5m). Corporate activities, includ-

Corporate activities, including share trading and bank interest receipts, returned pre-tax prefits of £7.3m (£200,000).

Share trading activities made a pre-tax profit of £3m, including a profit of £3.5m on the sale of the remaining stake in Clymand International in Glynwed International. While interest receipts rose to

GMEN makes agreed £12.4m

subsidiary in the sector and

represents the establishment of

a' new business arm.

A spokesman for GMEN said

that independent television

production "offered consider-able attractions". He said that

there was increasing demand for independent productions as the result of broadcasting dere-

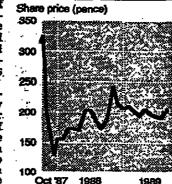
For Broadcast the deal pro-

vides resources for expansion. Mr Michael Braham, co-founder and chairman, said:

"We can now think on a bigger scale and are looking at a num-ber of acquisitions."

He said that nothing was

offer for Broadcast Comms



Oct 87 1988 53.5m in a half when the company had up to £70m on

Profits from associated companies fell to £1.9m, compared with £4.3m in 1988, which included £2.7m from stakes in two companies which have

been taken over.

The results coincided with the announcement of Suter's sale of a 9 per cent holding in Johnson & Firth Brown, a Sheffield-based metals and anying company. The engineering company. The stake was sold for £7m among

held by Broadcast's manage-

ment, gives it acceptances of more than 50 per cent for the 330p per share offer. Broadcast's shares closed at

lead to an offer.

Disclosable investments are held in five other companies.

• COMMENT This result will do little to dis-

pel the long-standing institu-tional concern about the extent of Suter's reliance on corporate activities. Higher bank interest rates and Mr Abell's ability as a share trader provided a counter-weight to a virtual drought in property profits. This doubt about the quality of the company's earnings has hung over Suter's head for longer than concern about the outcome of DTI investigation into certain share transactions. However, the company's chemcals and refrigeration distribution operations have had a clearly stronger six months and are certain to strengthen their positions as industrial conditions brighten in both areas. The forecast of an increase in dividends for the year is an expression of confi-dence which has been lacking during the past 18 months.
While the City retains its reserwhile the city retains its reservations, a re-rating seemed more possible yesterday with a shares on a prospective p/e of 8, assuming pre-tax profits of

Desoutter on target

Desoutter Brothers (Holdings). which last month accepted an

which last month accepted an £88.7m cash bid from Atlas Copco, disclosed pre-tax profits up from £3.6m to £4.5m in the half-year to end-June.

Sales totalled £27.04m (£22.79m) and after tax of £1.69m (1.33m) earnings per share worked through at 21.92p (18.14m). There is no interim (18.14p). There is no interim dividend this time (3p).

Telecom puts itself up for sale

National

By Vanessa Houlder

SHARES in National Telecommunications yesterday rose 14p to 98p when the tele-phone systems group said it was willing to consider a bid

The company has from time to time received informal approaches and has now decided to enter into discussions with suitable industrial partners which could lead to an offer being made for the company in due course," it

Although it was confident that it could continue to grow successfully as an independent organisation, it recognised that it was possible that it would make more rapid prog-ress within a larger undertak-

ress within a larger undertak-ing, it said.

This change of attitude fol-lows a strategy review that took account of the market's current perception of the group, it added.

The performance of the

The performance of the share price has been dismal since National Telecommunications came to the market in July 1988, with its shares val-

they as 120p.

The shares fell from 121p to 107p in May after National Telecommunications issued a profits warning.

In the event, the results turned out to be even worse

than forecast. There was a downturn in profits from £2.91m to £2.64m for the year to the end of March. The company put the blame on a local management problem in the UK distribution business.

British Vita moves into US as profits rise 40%

director, said the investment in

Spartech would allow Vita to

expand in the US in a con-

trolled way as it had previ-

ously done in Europe.
In the six months to June 30,

Vita's turnover was 28 per cent

ahead at £286.78m (£223.76m) while operating profits grew by 45 per cent to £21.45m (£14.83m). Mr Sellers said

acquisitive growth accounted for about 25 per cent of this profit advance.

50 per cent to 4.2p (2.8p). Earnings per share were 38 per cent

higher at 12.47p (9.03p). Vita said it had experienced

The interim dividend is lifted

enlarged capital. investment, helped bounce up Mr Rod Sellers, finance the shares yesterday. Never-

BRITISH VITA, the polymer, foam, and fibre group, yester-day reported a 40 per cent increase in interim pre-tax profits to £23.53m, and revealed that it would take a strategic investment in a US company at a cost of £15.2m.

The stock market reacted favourably to the announce-ments and the shares gained 22p to close at 311p. In its first move into the US,

Vita will buy a 32 per cent holding in Spartech, which makes thermoplastic rigid sheet, speciality polymer com-pounds, and polyethylene film. Spartech is based in St Louis, Missouri, and operates 12 factories throughout the US. In the year to October 31 1988, it achieved pre-tax earnings of \$4.5m on sales of \$222m. Net

assets were \$18.6m. Over the next three months Vita will subscribe for 1.1m ordinary shares at a cost of 53.2m with the balance in convertible 7 per cent preference stock at a cost of £12m. On full

conversion this will represent 32 per cent of Spartech's

some local dampening in the UK economy since the mid-year, but it was confident that growth could be sustained. **© COMMENT** The City was clearly pleased that its worst fears about Vita's performance in a straitened economy had been con-

founded; and that view, com-bined with the news of the US

multiple of about 12.5 - assuming pre-tax profits of £48m – the company stands on the market average. Although Vita's strength of management and growth record suggests it deserves more, its shares are unlikely to move far ahead as long as it is shackled by cautious market sentiment. On a longer view, however, the shares look attractive, espe-cially in the light of its "strategic keyhole investment" in the US. This will allow Vita to have a good peep around that market before it commits more - a strategy that has

already proved successful in

theless, worries linger about

Vita's vulnerability to an eco-

nomic downturn in the future

and, in particular, the com-pany is perceived to have a

large exposure to the weak fur-

niture market. Its strong over-

seas presence, however, will help to protect it and the diver-

sity of its product range also

reassures. On a prospective

£40m tag on Aspinall's freehold

By Lisa Wood

LEISURE INVESTMENTS, which has put its casinos up for sale, is to sell the freehold of Aspinall's, one of its three London outlets, for £40m to an

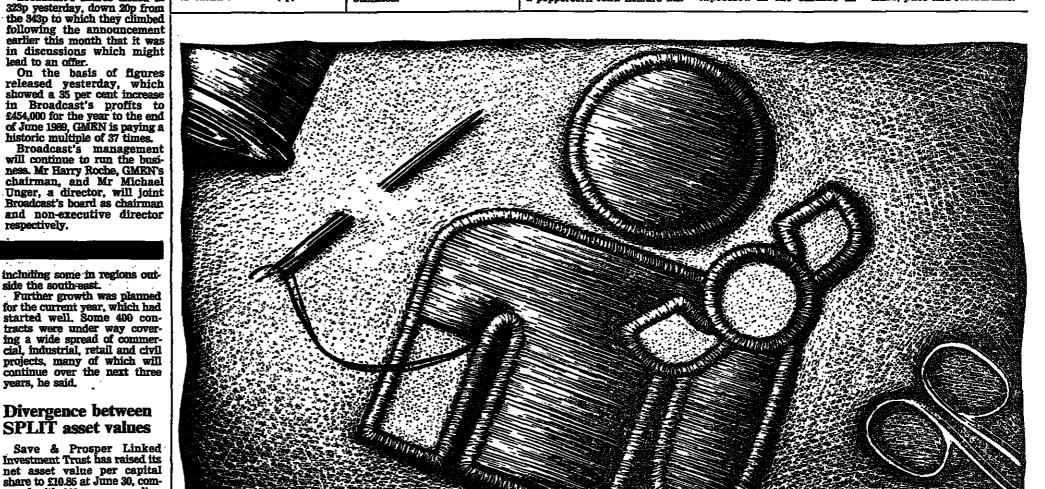
unnamed foreign purchaser.
The casino, which is on the books at £60m, has the right to operate from the Curzon Street premises for up to two years at a peppercorn rent. Leisure has

already found long term lease- Istanbul, Cairo and Gibraltar. hold premises to which the business can be moved.

Mr Edward Vandyk, Leisure's group chief executive,

said he was holding discus-sions over the sale of the three UK casinos, including Aspinall's, with a number of parties. Interest has also been expressed in the casinos in

Last month Leisure warned that profits this year would be materially below expectations. In announcing the sale of its casinos Leisure said it was over-dependent on revenues from them, which were depressed. Its other activities include health hydros, snooker



When it comes to Tailor-Made Business Research.

ments in broadcasting — a 5 per cent stake in Anglia Television, the ITV contractor, and a 16.7 per cent holding in Miss World Group, which owns several commercial radio stations. But Broadcast will be its first chairman, and Mr Michael Unger, a director, will joint Broadcast's board as chairman and non-executive director

NEWS DIGEST

returns £3m

respectively.

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أفوير المعاودة

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1011

Waterman Partner

In its first full set of results since joining the market in May 1988, Waterman Partnership Holdings, the structural engineering consultants, reported pre-tax profits of

This compared with £3.78m

year-end. Mr Andrew Thomson, chairman, said that the company

tracts were under way cover-ing a wide spread of commer-cial, industrial, retail and civil projects, many of which will continue over the next three

Divergence between

net asset value per capital share to £10.85 at June 30, compared with 908p a year earlier, though the net asset value per income share was static on

Net revenue for the year to June 30 amounted to £1.84m (£1.44m). Income from fixed asset investments came to £2.44m (£1.94m) and receivable interest from short-term deposits totalled £22,000 (£12,000). Earnings worked through at 35.12p (27.51p). Total dividends for the year, already paid, amounted to 35.3p (27.51p).

Corton Beach to buy US company

Corton Beach is spending \$12m

which encompasses Deith Lei-sure, a video machines distributor in the UK, and Suzo in the Netherlands.

\$187,000 to \$400,000.

27 OCTOBER 1989 A full editorial symposis JONATHAN WALLIS

FINANCIAL TIMES

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& COMMENT

Publishing beginning as UK market leader including some in regions out in publishing car and motor side the south-east.

Further growth was planned for the current year, which had market and feels there are still started well. Some 400 constant way cover-

IN A YEAR when it produced over 171 new titles and made unprecedented levels of investment in the UK and US, Haynes Publishing Group lifted its pre-tax profit from £2.73m to £3m.

per cent to £15.57m (£13.42m). The UK produced turnover of £10.88m (£9.47m) and trading

view of the heavy investwere written off as incurred,

The group consolidated its

The increase represented 10 per cent, on turnover ahead 16

the life of the first print run or five years, whichever is the sooner. Previously the costs and comparisons have been

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profit £2.11m (£1.93m) while (£3.96m) and £812,000 (£667,000) Earnings moved up to 37p (36p) and the dividend is raised 2p to 19p, the final being 11p. ment in new titles, origination costs are being written off over

substantial gains to be made by acquisition. The new Nashville warehouse was proving extremely cost effective. at £5.5m

last time and came from reve-nue of £14.96m (£10.38m). Earnings per 10p share rose from 13.9p to 18.8p and a pro-posed final dividend of 4p makes a total for the year to end-June of 6p. There was a special final dividend of 1.5p last time, which related to the period from flotation to the

had continued to gain new commissions in all sectors,

SPLIT asset values

Save & Prosper Linked Investment Trust has raised its

(£7.8m), to move into the US market, with the acquisition of Belam, a New York-based distributor of amusement machines and video games.

The acquisition will substantially expand the leisure side,

Initial consideration is \$1.5m and further profit related payments will be made to a maximum \$10.5m. This year Belam is expected to lift sales from \$9m to \$12m and profits from

The company has excellent prospects for continued growth, said Mr Mike Keen, chairman of Corton Beach.

TOY & GAMES

Barry Bramley, Chairman of BATCo, gives the latest news and views on the Hoylake bid for B.A.T Industries. Call free. Any time.



COWIES

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21st CENTURY MATERIALS AND TECHNOLOGY T-O D A-Y

\$4 X \$500 *** \$500 ***

PROGRESS REPORT SIX MONTHS TO 30 JUNE 1989

Turnover

£287m UP 28%*

Profit before tax

£23.5m UP 40%*

Earnings per share 12.47p UP 38%

4.20p UP 50%

Dividend per share

*compared with first 6 months of 1988

CHAIRMAN'S COMMENTS

- Strong organic growth in UK and Europe
- Acquisitions contribute to results
- Strategic USA investment
- Trading levels remain good overall

Copies of the Interim Report can be obtained from the Company Secretary. BRITISH VITA PLC, MIDDLETON, MANCHESTER M24 2DB INTERNATIONAL LEADERS IN POLYMER, FIBRE AND FABRIC MATERIALS AND TECHNOLOGY... SERVING THE FURNISHING, TRANSPORTATION, APPAREL, PACKAGING, LEISURE AND ENGINEERING INDUSTRIES.

UK COMPANY NEWS

Evode pulls out because it cannot justify substantial investment needed

Polythene film deal for Scott & Robertson

SCOTT & ROBERTSON, the largest producer of polythene film in Western Europe, is extending its interests in the sector through the purchase of the film and packaging activi-ties of Evode Group, the plastic and chemicals company. It also severed the last link

with its original business, jute spinning, by selling Dundeebased Tay Spinners to manage-ment for £1.1m. In 1988, that company made profits of £286,590 before tax and interest on turnover of £3.58m.

The latest polythene deal is considerably smaller than Scott's £44m takeover of Alida Holdings in June, but it adds capacity for film used in deep

freezing and mail over-wrap.
Scott is paying £2.44m for
the businesses, which includes
the refinancing of group debt,
and Evode has also received a £2m cash dividend from them. Evode said it was selling as the result of a review in the wake of its £87m purchase of Chamberlain Phipps, the shoe components and adhesives

Continued involvement in the sector would require substantial capital investment. Evode said it could not justify this in view of the overcapacity

in the polythene film market and the resulting pressure on margins. Evode separately sold the site of one of the film plants, at Billingshurst. West Sussex. for £2.5m. The £6.9m proceeds of two deals will increase net

assets by £1.7m.

announced the closure of Billingshurst and plans to transfer production of building and horticultural film to Worcester. be transferred to other Scott plants, and the plant at Worcester will concentrate on

consumer-oriented products.

"We feel we will be able to rationalise this to the group's advantage," said Mr Camaron McLatchie, Scott chairman.

Scott planned to make a limited to make a limit ited number of products in a limited number of plants.

Carter Brothers, VMB and Sempol, made pre-tax profits of £789,000 on sales of £17m in the year to October 1 1988, but profits fell to £18,000 in the 10 months to July 29 because of the costs of combining Sempol

and VMB at Worcester.
Evode is separately selling to
Scott the order book, technol. scott the titled and some solutions of the control
Norfolk has got into trouble with the French authorities for running the club as a hotel has

running the club as a note has nothing to do with me." The Paris club was bought, fogether with the St James Club in London, for £22m. Nor-

Cinb in London, for £22m. Norfolk last year lost film on the
club, which is situated near
the Champs Elysées. It charges
£250 for membership, which
has been booming, but room
occupancy levels have been
very low.
Norfolk is claiming compensation representing the difference between the club's present value and its worth if it
had the necessary planning
approvals. It is also seeking
compensation for fines and

compensation for fines and

costs it may have to pay.

Mr de Savary said he would
resist Norfolk's action most

Rutland improves 32% to £7.4m

By John Ridding

per cent over the comparable

All of the group's four divisions saw a good improvement but Mr Michael Langdon, chief executive, said that "the corpo-rate finance activities proved particularly successful."

The head office and corporate finance division improved profits from £1.45m to £2.22m. This partly reflects interest earnings on the group's £9m central cash resources but also resulted from buoyant demand for corporate financial ser-

The insurance broking and personal financial services division raised profits from £1.46m to £1.82m. About £1m of this came from PET 8 the group's enterprise zone investment product. The asset financing division increased profits from £1m to £1.25m despite the impact

higher interest rates on demand for equipment leasing.
in the professional services

NOBLE RAREDON, formerly

Gnome Photographic and now

controlled by Mrs Bilge Nevzat,

sister of Mr Asil Nadir of Polly

Peck, yesterday reported a fall in pre-tax profits from £487,000

to £124,000 for the year to May

The decline, scored on turn-over of £4.75m (£2.55m), was

ascribed to start-up costs

resulting from a move into the leisure industry.

Mrs Nevzat said that the

reduced profits were in line

with expectations at this stage

in the company's expansion

Ward White

with £34.3m

WARD WHITE, the retail group, reported interim pre-tax

profits of £34.3m, a rise of 24

per cent on the comparable £27.7m.

the forecast made during its unsuccessful defence against

the £900m bid from Boots, the

retail and pharmaceutical

Turnover for the six months

to the end of July was £405.6m (£342.3m). Earnings per share were 14.6p (9.4p) or 12.2p (10.4p) fully diluted. No interim dividend is to be paid.

The pre-tax figure included

operating profits of £2.3m (£1.2m) from retail property

and developments. Net extraor-dinary charges of £500,000

(£17.1m credits) related to loss on disposal of listed invest-ments but did not include any

costs in connection with the

Interest charges were higher

defence against Boots.

at £5.2m (£3.1m).

group.

The result almost matched

as forecast

By Vanessa Houlder

RUTLAND TRUST, the division, which improved prof-financial services group, yes-terday announced pre-tax prof-its of 27.4m for the year to the end of June, an increase of 32.3 level of weather-related classic. level of weather-related claims. However, Mr Langdon said that instructions on major losses increased significantly. Hunter & Partners, the sur-

veying practice which was acquired last year was said to be showing "considerable Group turnover increased from £37.7m to £45.57m. Fully diluted earnings per share increased from 1.47p to 1.8p

and there is an interim divi-dend of 0.27p (0.21p).

 COMMENT Rutland Trust continues to provide some of the best news in the unfashionable financial services sector. But Mr Langdon is a frustrated man. As earnings and profits move along a steady upward path, so its rating slips — dragged down by bad news elsewhere. High interest rates, which are largely responsible for malaise in the sector, must affect Rutland's leasing business. Loss adjusting will also remain vul-

nerable to the will of the

months we would like to see everything that we have

started working and showing

The sole source of profits was the overhead projector

business, originally part of Gnome. This increased turn-over by 28 per cent. The com-pany said it was investing in new models for the UK and

The Mosaic Tour Operating

business, established in Lon-don and West Germany to serve markets in Turkey and

northern Cyprus, started oper-

NEWS DIGEST

Noble Raredon hit by start-up costs

some profit,".

European markets.



Michael Langdon: all divisions

weather gods. But Rutland's activities are well spread, this winter can be no milder than last year's and the stronger divisions show no signs of slackening. Even without expected acquisitions pre-tax profits should reach £15.5m this year and £19m in 1990, placing shares on a prospective multiple of 11, failing to 9. While this represents a premium to the sector it is too low on the basis of earnings and

demand from the UK was off-

set by higher than expected

Mrs Nevzat, who assumed control last May, launched a £4m rights issue in March to

finance a 51 per cent stake in the Sunset Holiday Village, a Turkish tourist development

and the development of a site

in northern Cyprus. The latter village is on schedule to open in May 1990. The first stage of its hotel on the Turkish Aegean opened in July.

Earnings per share fell from

2.1p to 0.48p. No dividend is

bookings in West Germany.

He added: "The fact that Midway profit

share price By John Thornhill

SHARES OF Sherwood Computer Services yesterday rose 13p to 118p as the USM-quoted computer bureau and software development group returned to profitability in the half year to June 30 with £580,000 pre-tax.

two newly-acquired subsidiaries, Corporate Fechnology Group and Birtonix.

Furnover was 4.5 per cent higher in 172 rain (211 67nt). Earnings were 7.7p (loss 29.7p) and dividends are resumed

three vertical markets: local government, retail financial services, and Lloyds and London insurance; and on three horizontal markets: software

operations.

It is also planning to sell the high street broking side of its Mitrouix business, which is still incurring losses.

Norfolk issues FFr80m writ over purchase of Paris club

By Andrew Bolger

NORFOLK CAPITAL Group, the hotel company, has issued an FFr80m (27.74m) writ against Mr Peter de Savary concerning the St James's Club in Paris, which Norfolk bought from Mr de Savary two years

Mr Peter Eyles, Norfolk's mr Peter Eyles, Noriok's managing director, said questions had arisen over the club's planning permission, which was covered by warranties issued by Mr de Savary. The warranties were due to expire on September 16, and Noriok had decided to serve the writhad decided to serve the writ on Mr de Savary to protect its

Mr de Savary yesterday insisted that he sold St James as a residential members' club, for which all the planning per-missions were in order and had been fully checked by Norfolk's lawyers at the time of

vigorously and resented the fact that the first thing he knew about the claim was when he received the writ.

lifts Sherwood

In the comparative period the group incurred a loss of £1.52m because of problems at

with an interim of 0.75p.

development, networking, and operations.

New products had been launched and markets were buoyant Mr Trevor Entwistle, chairman, was confident that the outcome for 1989 would show the work done over the last year had laid solid founda-tions for the future.

Glamar buys leather goods distributor

By John Thornhill

Glamar Group, the Leeds based hosiery supplier which is being revamped by Mr Stephen Barker, the former managing director of Albert Fisher, is to acquire a leather goods distri-bution company for £4.75m in cash and shares.

The company being pur-chased is L & D Holdings (Jersey), which has trading subsidiaries in Manchester and Knyloon, Hong Kong. The company distributes over 200 lines of leather goods mainly purses and wallets - to about 250 retailers in

ne Dk. In the year-to March 31, L & 21.03m on turnover of 26.58m. Net assets at that date were £714.000 .

The acquisition follows Glamar's recent diversification into the leather goods market by means of the purchase of Triad Leather, in April, and Symphony International, in

FT Share Service

The following security was added to the Share Information Service in Saturday's edition: Danbury Group (Section: Buildings).

Waterman results for year to 30 June 1989 Profits up 46%

				1989 2000	8881 0002	Increase
Work done				14,958	10,367	44%
Profit before taxation				5,523	-3,778	46%
Taxation				(1,844)	(1,347)	
Profit attributable to si	tareholders	7 14 10		3,579	2,431	47%
Dividends				1,145	286	
Dividends per share		ing in a second of the second		6.0p	1.5p	
Earnings per share				18.8p	13.9p	35%
C	hairman	Androw	Thamison	Domosto		

the Tamworth Town Centre Redevelopment and

I am delighted to be able to report another highly successful year for the Group in which Carlisle Market Centre. we have achieved further strong growth while The consent year has started well. We are maintaining our profit margins. This reflects the working on over 460 projects, covering a wide high regard in which the services of your company spread of commercial, industrial, retail and are held and the expertise and hard work of our management and professional staff.

I was particularly pleased with two aspects of last year. Firstly, we continued to be successful in winning larger value projects and our market share has increased in this area. Secondly, we were increasingly successful in winning

London SE1 SPN commissions in the regions outside the South East

and we are currently working on such projects as Telephone: 01 928 7888 The contents of this statement for which the Directors of Waterman Pari

e contents of this statement for which the Directors of Waterman Partner this Haldbage PLC are solely responsible, have be approved for the purposes of Section 57 of the Fluoradal Services het 1936 by Price Noterhouse as authorited persons.

46-47 Blackfriars Road

civil projects, many of which will continue over the next three years.

Waterman Partnership Holdings PLC

made in the European compa-nies in the second half.

Continental boost for Spandex An 11 per cent rise in interim

profits was achieved at Span-dex, the USM-quoted marketer and distributor of computeraided sign-making equipment. In the first half of 1989, Spandex made \$2.05m (£1.85m) pretax on turnover up to £18.81m (£13.74m). Earnings rose to 12p (10.8p) per share, and the

interim dividend is held at 1.5p. Sales in computers rose to £7.24m (£5.08m), in consumables to £9.33m (£6.66m), and in Ultramark, the adhesive prod-

ucts subsidiary, to £2.24m Continental Europe espe-cially showed strong growth, the company said, adding that further investment would be

Thomas Robinson £5.75m acquisition

Thomas Robinson, the holding company with interests in pro-cess engineering, wood engineering, specialist engineering,

automotive trading, and finance and property compa-nies, has acquired RFA (Penis-(£14.65m) and trading profit came to £1.25m (£520,000). Mr JP Donelon, chairman, said substantial progress had been made towards creating a tone), a distributor of indus-trial consumable products for a total consideration of £5.75m. strong construction related group. A dividend of not less than 0.75p is forecast.

This is to be satisfied through: the issue of £3,468,400 in floating rate redeemable guaranteed loan notes 1994 Acquisition of two major industrial sites at Aintree and (redeemable at the option of the holders at six monthly Skelmersdale, with their substantial development potential, will further the progress of the intervals commencing June 1990); the allotment of 455,850 property division. ordinary shares in Robinson: and the payment of £111,600

In addition, certain vendors are to be paid £170,000 for the freehold property in Penistone. The principal vendors have warranted that RFA's profit before taxation for the year to December 31 1989 will not be less than £1.3m.

Sanderson Murray drops to £118,000

Sanderson Murray & Elder (Holdings) suffered a fall from £214,000 to £118,000 in pre-tax profits for the year to June 30. Furthermore the company, involved in woolcombing, top-making and merchanting both wool and man-made fibres, said that during the second half there had been no improve-ment from the low volumes

and margins reported at the interim stage.

Turnover declined from £6.55m to £5.74m. After tax reduced to £12,000 (£39,000), earnings worked through at 5.5p (9.1p).
The dividend for the year is

being held at 5.5p.

The extraordinary credit of £72,000 (debit £4,000) related mainly to surplus tax provisions on previous extraordi-

All-round growth at Donelon Tysons

An encouraging start has been made by the new Donelon Tysons Group, with good progress on all fronts, report the directors. First interim figures, to June 30, showed pre-tax profits of £1.04m.

Donelon took control of Tysons in 1987 when rescuing it from severe financial problems; in May its offer for the balance was declared unconditional and full results have been included since. Profit in the comparative half-year was £484.000.

Turnover was £24.18m

FINANCIAL TIMES SURVEY



Years of rapidly rising sales are coning to an end as costs continue to rise and markets have

become more competitive, writes

Maggle Urry. The industry is
tackling these problems, with
varying degress of success, while
undergoing stuctural changes.

Hard times on high street

THE CRUNCH hs come for retailing. Hard thes have hit the industry in he very markets where it is most highly developed — th US and UK. The pressure in consumer spending from governments determined to entrol inflation, has put a stral on the profitability of the one groups.

At the sam time the industry is underoing structural changes. It is increasingly becoming 'n international industry, sinough it is well behind othe important sectors such as electronics or pharmaceuticals where there is already a small number of

global piyers.

In Europe retailers are beginning to face the issues presented by 1992 — when 12 national markets will start to merg into one single market. Some are discussing co-operation between store companies in different countries, and thee is the possibility of mergeracross borders.

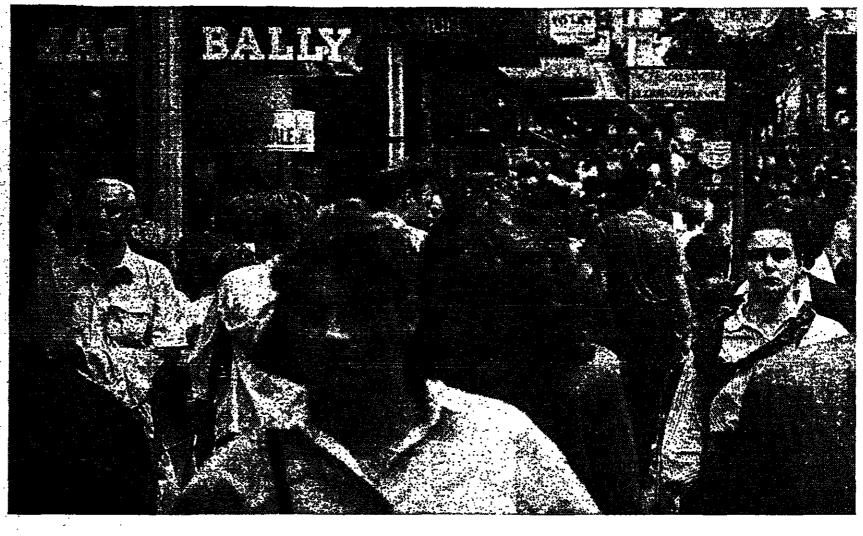
Within national markets railers are encountering the grees of conglomeration, with serger and acquisition activity till high. In many cases control is being wrested from old-style "retailer entreprenuers" and being taken by the new breed of hard-headed managers which regards retailing as a

business like any other.

In many countries the industry has been highly controlled, not surprisingly given the vital role retailing plays in most economies as the main conduit for goods from manufacturers to consumers. A look at the Japanese retail scene shows that even in a highly fragmented and tightly restricted market the same forces are at

While in a number of countries — including much of Rarope — consumer spending is still buoyant, retailers in the US and UK are well into the tougher trading conditions which were predicted last year. Profits from some leading retail groups — such as Storehouse, Next and Dixons in the UK and K Mart in the US — have fallen. Although the hope is for a "soft landing" in both the US and UK, there are fears that in the latter country particularly, another recession could be on the way.

Retailers which have enjoyed many years of rapidly rising sales now have to face the task of making progress in highly competitive markets, working against rising costs. To counter these difficulties, retailers are more and more picking up the weapon of information technology.



RETAILING

The retailers' problem is severe because of the way retailing works, with high operational gearing. A high level of fixed costs — such as property and staff costs — means that relatively small increases in volume work through to large rises in profits. But this works in the opposite direction too. When sales volumes fall, profits fall much more rapidly. That explains retailers' desperate efforts to sell goods, even if prices are cut to a level where extra sales are made at a tiny gross mar-

At the same time retailers are facing cost rises which are in many cases higher than the rise in selling prices. The competitive market means that prices of goods in shops are often not rising as fast as general inflation. But in some places wages and rents are rising faster than inflation. In the

UK retailers have the prospect of a reworking of business rates next year which will also increase costs, although this problem has been somewhat overplayed.

These two factors are squeezing retailers' margins uncomfortably. The more imaginative stores are working on ways to counter them, by boosting sales and containing costs. Even Sears Roebuck, the biggest retailer in the world, has cut staff numbers by hundreds in an effort to reduce costs.

One of the greatest problems for stores is how to persuade people to come to one shop rather than another, when in most cases there is little to choose between them. On a high street or in a shopping mall it is simple for a customer to switch. When the market was booming shops were happy to copy each other, now ways of appearing different are

lmproving service is one

obvious method, in an age when the best service a shopper is likely to find is in a self-service store. At one extreme, Wal-Mart, the fastest growing store group in the US, has a full time "greeter" at the entrance to each store welcoming shoppers as they come in rather like the phalanxes of bowing staff in Japanese department stores. Many retailers are putting an emphasis on training staff to be more responsive to customers needs. Technology is coming to the

Technology is coming to the aid of customer loyalty. Regular customers can be identified and offered discounts or incentives to keep coming back.

Information technology is vital to retailers efforts to took the wints goods in the

Information technology is vital to retailers efforts to stock the right goods, in the right quantities at the right times. Retailers are beginning to recognise the revolution

that electronic point of sale systems will bring to the business. Both Boots and W H Smith have reported improvements in profits which they ascribe to the introduction of

with price-marking of goods

although this can cause prob-

lems if prices displayed on

shelves do not match up with

the prices in the computer

available from Epos has considerably more far-reaching potential than that Mr Mark

Husson, retail analyst at Mor-

gan Stanley, the investment

banking group, says that Epos "holds the key to retail profit-

Retailers can use the system in many ways. These include

adjusting gross margins or

running promotions and monitoring the effect on sales; com-

bining the sales information

with "direct product profitability" (DPP) techniques to assess

just how much profit each line

makes; finding out the busiest

times of day so that part-time

staff can be organised most

ability.'

But the information made

On the simplest level Epos, which logs every sale by item on a computer, acts as a much more efficient stock control system than can ever be achieved by hand-counting of goods. That means that stock can be ordered more rapidly to replenish shelves, and slow-selling lines can be quickly spotted and removed or reduced.

By tying the sales information into the distribution system and back to suppliers, shops can expect a faster response time and can therefore hold lower stocks, saving in some cases millions of pounds. Additionally, staff time is saved by doing away customer loyalty is good news for shoppers — it has seen the stores improve their service and lower prices

The high street battle for

One idea which stores are picking up on, and which will only become possible on a wide scale because of Epos systems, is "micro-marketing" — when chain stores tailor their product ranges to local markets. A multiple group may have shops in widely different areas in terms of local competition, spending power, levels of employment, and socio-economic mix. It does not make sense to offer the same product range in each shop.

Others are using information culled from existing stores to enable them to stock new stores more accurately. With the aid of technology a new store can be designed on screen even before the walls have been built.

Armed with these sorts of skills, retailing is becoming more a business based on facts rather than the old idea of "gut feel" or flair. Some of the leading personalities in retailing have suffered reverses — Mr George Davies, the man who created the once highly successful Next chain, has been ousted.

Instead retail groups are being run more like other consumer businesses, with managers seeing shop identities as brands which need to be nurtured like soap powder or whisky. Even the homespun reputation of the head of Walmart, Mr Sam Walton, is more than anything else a disguise veiling a highly organised and efficient company.

efficient company.

This has encouraged retailers to make more acquisitions, scorning the old theory that a company which succeeded in one area of retailing had no guarantee of success in another. Boots' recent takeover of Ward White was motivated by the idea that if Boots has retailing skills these can be applied to any retail business and not just chemist stores.

A similar conviction has persuaded retailers to make acquisitions across national boundaries, using skills developed in the home market, adapted to local market conditions.

Highly competitive markets will sort out the winners from the losers in retailing, with the winners likely to make the most of the opportunity to capture the losers' market share or even acquire them. Though there will always be room for new entrants into the market with bright ideas — because the entry cost of opening a single shop is modest — the move towards larger groups, and the breaking away from national limits is likely to accelerate.



Knives are being sharpened over stakes in the UK food sector, says Maggie Urry

Giants prepare for a battle royal

THE BRITISH food retailing market is in a state of flux. The two leading players – J. Sainsbury and Tesco - seem to have secured unassailable posi-tions. But the fight is on for the other places in the pecking order. Since it takes annual sales of about £350m to gain a 1 per cent market share, the struggle is a battle of giants.
In the last few months there

has been an extraordinary level of corporate activity in the sector. The most important move has been the £2bn leveraged buy-out of Gateway, which had held third place in the market, by Isosceles, a company headed by Mr David Smith who had masterminded the Budgens bid for Gateway a

year earlier. Consequent upon the Gateway takeover, was a deal to sell 62 of the largest Gateway stores, and a warehouse, to Asda for £705m. This means Gateway losing annual sales of fibn, and so slipping down the order while Asda moves up.

Many expect that further parcels of stores will be sold off as Isosceles struggles to pay off its mammoth debts. Indeed, some see the old Gateway becoming less and less of a force in the market providing a softer target for others to expand. The big five grocery retailers could become the big four, each with over 10 per cent of the market.

Meanwhile, Asda itself has been the subject of bid speculation. And a merger between two regional groups - William Low, whose stronghold is Scotland, and Budgens, based mainly in southern England - was first agreed and then suddenly broken off.

At the start of the year Ice land took over rival frozen food retailer Bejam, and Kwik Save bought Victor Value.

Argyll has been busy transforming its Presto stores to the Safeway format which has the stronger consumer franchise. Since Argyll took over Safeway in February 1987 it has moved up the league table and is reporting strong growth in sales from the converted

Marks and Spencer, which has for years sold food in its chain stores, is now planning a chain of 100 up-market foodmate could give it food sales of £1bn a year.



The fight is on in the food retailing pecking order where it takes annual sales of about £350m to gain a 1 per cent market share

At the same time, Aldi, one of West Germany's leading food retailers, has been planning a determined push into the UK market with its cut price, limited range format, apparently prepared to suffer losses for years if necessary in order to secure a foothold in

Tengleman, another German food retailer, became involved in the Gateway bid through its grocery subsidiary the Great Atlantic and Pacific Tea Company (A & P) which was part of a rival bidding consortium for Gateway.

Some observers speculate that either Tengleman or A &

will now look for another way into the UK market, most probably through an attempt at acquiring another retailer. It is not hard to see why all these group's want to increase their market share. The food retail market has not simply been immune from the prob-lems of the rest of British retailing caused by the con-

because consumers are indulg-

ing in food at home having

margins are high. And in spite of the fierce competition between the players, there has not been a price war. Although keen prices are part of almost every food retailers armoury in the fight for the hearts, minds and purses of shoppers, the straint on consumer spending; food sales have actually been thrust of competition is in rising throughout the hot sum-One important issue on which food retailers aim to mer - perhaps because fewer people are taking foreign holicompete is service. This days and enjoying barbecues in the garden instead, perhaps includes things such as electronic point of sale technology

which allows a swifter exit

from the store, provides item-

traded down from eating out or buying expensive items. British food retailers' profit free staff to help shoppers.

Sainsbury has used its information technology to provide shoppers with "unit pricing" -

products - where each retailer hopes to outdo others in the range and quality on offer. It is particularly true in fresh foods such as meat, fruit and vegeta-bles which almost by definition "own label" and where re is scope to take market share from independe butchers, greengrocers and

Stockbroking analysts are expecting the sector to show further strong profit growth. The leading groups are thus able to finance huge expansion programmes to gain increased market share. The fear that this would lead to an oversup-ply of food retail selling space and therefore even more intensive competition seems to have receded.

Superstores, the massive food shops which generate for their owners higher turnover per square foot of selling area and higher net margins, are no longer seen as the only suc-cessful format. The leading groups continue to shift their store portfolios towards the larger units which provide "one-stop" shopping.

But the policy of Gateway's new management is to concen-trate on smaller supermarkets, sited closer to the shoppers homes rather than on edge-of-town or out-of-town sites which are suited to car-borne

Whether this policy is generated by the necessity of selling superstores to pay off debt, as some cynics would argue, or not it is one shared with others of the smaller food retailing groups. The aim is to provide customers with a more conve nient store which still carries a wide range of goods at compet-itive prices so that shoppers have a local alternative to

ised till receipts, and increas ingly allows direct debiting of bank accounts. It should also

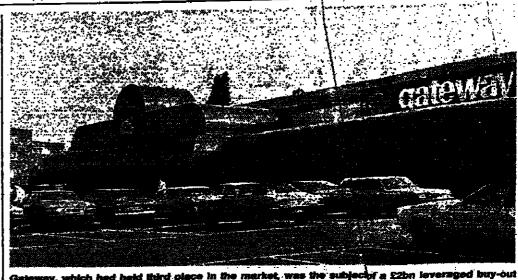
showing how much a packet of soap powder, say, costs per 100 grams thus allowing direct price comparisons between dif-

Another area is own label

pean mainland.

market, where the language differences are less intimida-tory. Of the few British moves into Europe, even fewer have been successful. There are structural differ-

European retailers have been active in combining in buying active in combining in buying groups and voluntary groups, such as Spar, British retailers have developed multiple retailing to a far greater level. Where most large British retailers are publicly quoted, and so capable of being taken over, many European companies are privately owned making it harder for outsiders to accourte them.



Leading stores view 1992 with sone uncertainty

Single market stock take

THE CREATION of the single market in 1992 is unlikely to have an impact on day one. But it is already influencing decisions in all areas of business, and seems destined to become of material importance to companies large or small

operating within Europe.

At first sight it is difficult to see how the actual provisions of the single market will have much effect on retailing. It is by its nature an industry which must be close to consumer tastes, and the single market is not about to homogenise a wide variety of local-tastes. At first, little was said about the relevance of 1992 and the removal of trade barriers to retailing – historically an industry largely confined within national boundaries.

There will be some benefits in the freer movement of goods across frontiers which the European Commission has estimated could reduce distribution costs by 5 per cent. This could make pan-European sourcing simpler. Cross border expansion will become easier and joint ventures and fran-chising will be less cumber-

More important, as Price Waterhouse, the management consultant, points out: "The effect has been to wake retailers up to the opportunities of going into Europe." Similarly, Coopers & Lybrand, a management consulting group which has carried out much research on 1992, says the most impor-tant effect of 1992 is one of attitude.

In many ways the change in attitude will be less marked for retailers in continental Europe than for those based in Britain. On the Continent, retailers have been far less intimidated by netional bandons and many less intimidated. by national borders and more prepared to add links to their chains across frontiers. Carrefour, the French hypermarket retailer, for example, is also a leading operator in Spain. British retailers appear to

British retailers appear to have found the sea much harder to cross. At the same time they have had more scope to develop at home, free of the restrictive laws on shop openings which are seen in some countries of the north European mainland.

Overseas moves by British retailers have been largely aimed at the North American

ences between UK and main-land retailing. While mainland

ers, one of which is British. The three – Royal Ahold, of the Netherlands, Casino, based in France, and Argyll, the British group which owns Safeway. Presto and Lo-Cost - said they would discuss working together en a wide range of operational fronts, including buying. Other food retailers are joining the threesome. The link became more formalised with the recent announcement

of a cross-shareholding between the three. The importance of combining buying power is likely to increase as food and consumer goods manufacturers merge and as they come to regard Europe as a single market. While retailers, particularly

At first sight it is ifficult to see how the actual provisions of the single market will have much effect on retailing

those in the UK, have often held the balance of power against manufacturers, this could now swing the other

D'Arcy Masius Benton & Bowles, the advertising agency, says that suppliers of, for example, confectionery, toiletries and packaged groceries, are increasingly able to pack-age and present products for the Community as a whole. Satellite television is likely to make pan European launches of products more common

DMB&B says: Insofar as no. UK retailer; no matter how big at home, will be able to dominate the single market, then back towards the supplier, especially one that is strong across several national Comy markets."

There may also be benefits in groups combining their distribution operations, with the suppliers delivering goods into central depots. In the future Britain may come to be reclassified as part of north west.

erent juntries are seen as being mre or less attractive. the nortern mainland markets are airly congested and opening stops can be made difficult, for a stance by the Loi Royer in Fince and the Loi de Cadenas A Belgium, laws which restrict the number of the congrite.

which restrict the number of shop opening.

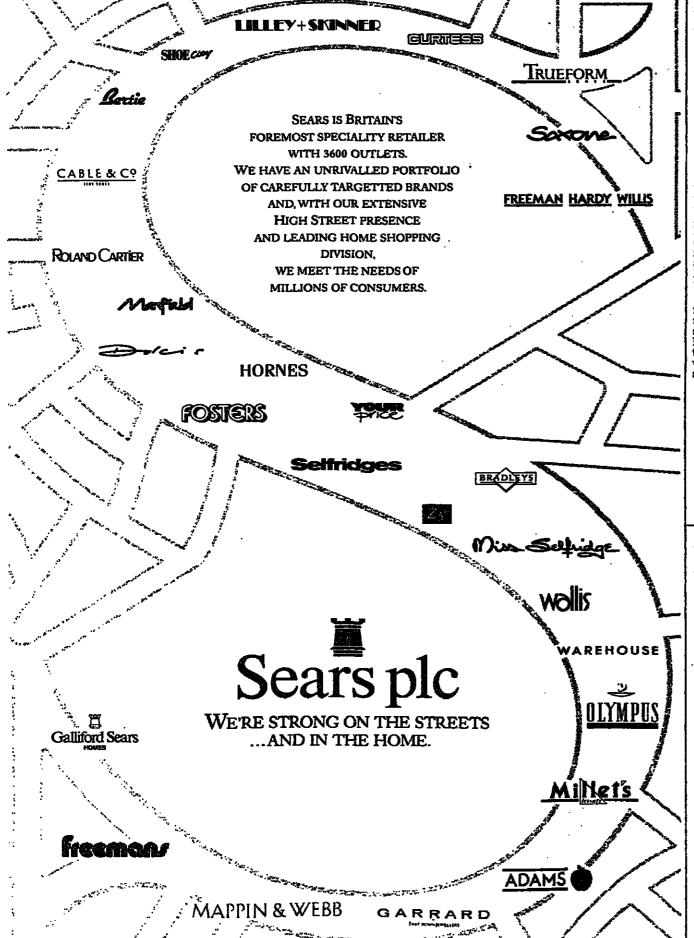
Many manland retailers have been attacted to the UK by the highe profit margins which companes seem able to generate their There have been a number of successes such as C&A, Ila, and Rennetton. The prosper of more coming, means that wen the most head-in-the-sand tritish retailers must realise the 1992 has a ers must realise that 1992 has a significance for the

Other attractive areas are seen to be the soutern European states where tailing is less well-developed, and population and/or consum spending growth is faster that in the rest of Europe. Alread there has been much movem Spain, for example, wit Brit-ish groups included

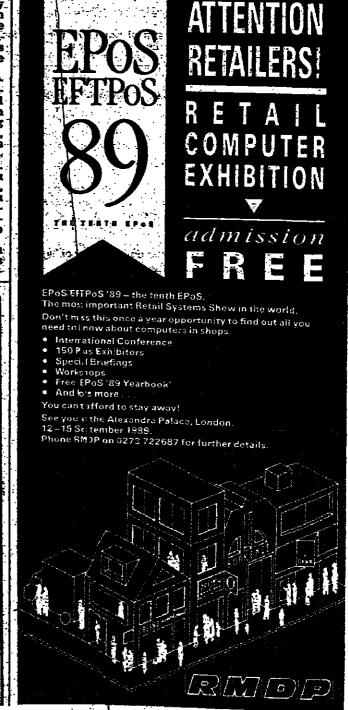
One type of retailing my be more amenable to moing across borders than other— mail order, which needs no shops but can use satellite tevision to display goods to

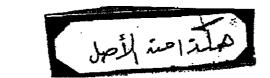
Aiready the large Europea home shopping companies such as Great Universal Store: in the UK, and Otto Versand, in West Germany - have operations outside their home country, although these are largely operated as separate es. Further cross-border moves have been seen, such as La Redoute, the French mail order company, taking a large stake in Empire

Stores, in the UK. The coincidence of 1992, which should bring an approximation of value added tax rates, and of improving technology, such as widespread shopping from home via televi-sion and telephone links rather than by post as the French have pioneered with Minitel, makes mail order an obvious gainer from the single market.



Earlier this year, however, a co-operation agreement was announced by three food retail-Join over 100 Retailers and Property Developers in seeking advice on: Location selection for expansion or rationalisation. Outlet performance measurement. Sales territory planning. Media effectiveness. Retail development potential. Call John Rae, Alan Styler or Ian Thurman on 01-528 7980. CACI Limited, Regent House, 89 Kingsway, London WC2B 6RH Telephone: 01-528 7980 Fax: 01-528 7988





JAPAN

Stores brood over big ideas

FOR A long time Japan's 1 per cent of national retail byzantine, xenophobic and inefficient retail industry had been expecting a shake-up. But no one was prepared for the magnitude of the changes proposed in July by the unlikely figure of Mr Shigeru Kobay-ashi, the president of Shuwa Corporation, a privately-owned

real estate development group. Mr Kobayashi, who has no previous experience in the retail industry, announced that he had acquired significant sbareholdings in four mediumsized Japanese supermarket operators – Nagazakiya, inageya, Chujitsuya and Life Stores – and planned to merge them to establish a chain-store empire. His challenge is widely believed to be the beginning of a trend towards large mergers

in this sector. Japan's retailing and distri-bution industries operate like a giant private club. The frag-mentation of the retail sector is amazing to behold. National retail sales were estimated to be worth more than \$850bn last year, with the top four retail groups - Daiei, Ito-Yokado, Seibu-Saison and Jusco – accounting for little more than

But when the rationalisation and merger spree is over in the late 1990s Japanese retailing thould look a lot more like its US or European counterparts, with the industry dominated by a handful of gigantic, effi-cient and profitable groups with unparalleled buying clout and marketing muscle. New retail giants, such as

the one proposed by Mr Kobey-ashi, are unlikely to emerge in great numbers. The Tokyo office of brokers Swiss Banking Corp International suggests it the leading 15 to 20 large retail groups will use their superior access to capital and expertise to grow even larger by gobbling up small, regional operators at an accelerating

The typical pattern which may develop is for a large superstore to take a minority stake in a regional retailer and then, after several years, to fold it into the group," a recent Swiss Banking Corp report

Most analysts are tipping the existing giants, Daiei, Ito-Yo-kado, Seibu-Salson and Jusco

as the coss that will be able to maintain and build upon their pre-eminent positions. The only medium-sized

retailer that is expected to leaphog into the big league is the ambitious Osaka-besed Nichti. It plans to develop 70 company-owned retail and leisure complexes in the next five years, boosting floorspace by up to 700,000 sq metres, and to more than double turnover to more than Y2,000bn by 1994.

The fragmentation of Japan's retailing and distribution industries stems from a mixture of cultural, social and political factors. Densely crowded cities and towns, with their lack of infrastructure and proliferation of tiny apartments (with tiny refrigerators). have forced most women to shop daily. Although more than 60 per cent of women work this habit endures. Most Japanese do their shop-

ping for the sake of convenience in the local "sho-ten gai" shopping street, composed of a chaotic collection of extremely small speciality stores. Customer loyalty to individual stores is high. More than 70 per cent of Japan's

through small stores, which typically have a floor space of less than 50 sq metres. More than 1.6m pocket-sized "mom and pop" stores cram the nar-row main streets of Japanese

As these Lilliputian stores are almost impossible for man-ufacturers and wholesalers to reach directly, a whole industry of secondary wholesalers and tertiary wholesalers has emerged to provide daily deliveries of small quantities of

A typical consumer item such as a colour TV or woollen sweater - that might pass through two or three sets of hands in Europe or America could be handled by up to six different companies in Japan. Japan's wholesale sales to retail sales ratio - the ratio of total sales in the wholesale industry to those of the retail industry – is four, compared to 1.75 for the US and 2.13 for the UK.

The length of the distribution chain is not the only dis-tinguishing feature of the Japanese industry. Retail price maintenance – illegal in most parts of the world – is brutally enforced by leading manufac-turers and wholesalers. Most retail and wholesale groups operate an exclusive "cho-ai" system of favoured suppliers. Relationships between retail-ers, wholesalers and suppliers, frequently cemented by crossshareholdings, are further bonded by close personal ties between executives. Golf games and evenings in expen-sive hostess bars are weekly team-building events.
The relationships between

manufacturers and retailers are especially close in the areas of electrical goods, liquor shops and clothing. In all three of these areas manufacturers provide (and pay the salaries of) their own staff who work on secondment as sales assis-



The small store still dominates Japan's high streets

tants in big stores. According to one recent report, 450 of the total staff of 500 in a big Tokyo electrical goods store are employees of domestic manu-

In Akihabara, Tokyo's electronics department store won-derland, it is said that 10,000 store salesmen are actually employees of Matsushita, Hita-chi, Toshiba and NEC, Japan's domestic consumer electroni giants. Manufacturers also pro vide soft, stock-financing loans and cosy rebates to keep retailers promoting their brands. The odds against newcomers

breaking through the defences of such a system - be they Japanese or foreign - are extremely unfavourable. In the 1960s, a threat was mounted by

entrepreneurs establishing vertically-integrated chain stores, but their growth caused an uproar in the trade and the government passed the Large Scale Store Opening Law in 1974 to slow them down.

The law makes it very difficult to open stores. Every planned store of more than 500 sq metres must be approved by city or prefectural government. Any store of more than 1,500 sq metres must be approved by the Ministry of International Trade and Industry after consultation with local store

Local store owners have been able to use the consulta-tion clauses of the law to delay store openings for up to 10

the ministry to reduce the size of the few new stores that make it though the planning

in addition to these national laws, local governments have also rushed to implement tough zoning rules that make hig store openings even more difficult. At least 73 applications and 26 certificates are required before a store can open – leaving planty of room for objectors to delay and

The political and social environment that allowed Japan's small store owners to freeze in time the retailing and distribu-tion system is changing rapidly and is under threat from vari-

ous quarters.

As part of its "Super 301" trade action against Japan launched last May, the US Department of Commerce insisted on an examination of Japan's distribution system. Japan's distribution system and other structural barriers to imports. It is a foregone con-clusion that the eventual report of this study will criti-cise the system as a barrier to

imports.
The US is already applying The US is already applying strong pressure on Japan to implement reforms and other foreign countries are joining the cause. Adding to the foreign pressures are new domestic forces, especially the emergence of convenience chains. Convenience chain stores such as Seven-Eleven, Pamily

Mart and Lawsona - con-trolled by the leading supermarket or department store groups - have been able to alip in under the legal fences and are already taking their toll on the traditional small stores. Their number is expec-ted to grow by more than 30 per cent to over 24,000 over the next few years and Jardine Fleming Securities predicts that industry sales will double to about Y4,000bn by the mid

A gradual breakdown of the effectiveness of the Large Scale Store Opening Law, under foreign and consumer pressure, is also serving notice to the "mom and pop" industry. Few retailers expect the law to be abolished, instead most see a gradual weaking of its applica-

years and also bargain with tion and a stronger ministry bias towards encouraging supermarket openings.

The MITI has begun to turn a blind eye towards supermarkets that stay open beyond the legal closing time. This is a blow to small stores because much of their trade comes after the 6 pm mandatory clos-

ing time for supermarkets. Sensing that change is in the air, the big supermarket chains are stepping up their new store epening plans. Applications before the MITI to open super-markets are rising rapidly as developers believe that the once typical five or seven year

Japan's retailing and distribution industries operate like a glant private club

waiting period may be whittled back to as little as two years. The few 'mom and pop' stores that can withstand foreign pressure, deregulation and the onelgught of the conve-nience chains over the next decade will probably be mable to counter another force behind industry rationalisation death.

Buying a small store was for several decades the retirement choice for hundreds of thou-sands of pensioned salaried workers. But today the graying proprietors of mom and pop stores are unable to persuad their sous and daughters to take over the business. Most of the estimated 100,000 stores which pull down their shutters for the last time each year close because of the age, infir-mity or death of the owner.

In today's climate of full employment, the sons and daughters of the mom and pop" industry have no interest in spending the rest of their days in a non-air conditioned wooden building in the Shoten-gal. And those retirees who once would have bought into the business now have plenty of new financial products in which to invest their lump

Rex Brown

(1) 日本・政策を、国際政策とは、日本の関係を関係を表現を表現を表現を行う。

UNITED STATES

Troubled grande dames

would-he retail magnates. A ment which coincided with the height of takeover fever has left the highly leveraged operations with the double burden of high debt and slow sales. Although the two year slump appears to be over, the recovery may not be dramatic or fast enough to help the flag-ging and indebted businesses. The big department stores are also facing stiff competition from a number of successful speciality operations.

The takeover trend peaked in 1986, when Mr Robert Campeau, the acquisitive Canadian nvestor, bought up Allied Stores and with it some of New York's biggest department stores for \$3.5bn. The deal was financed largely by junk bonds. A year later Mr Campeau added Federated Department Stores, including Blooming-dale's, to his stable for \$6.6bn. As the cash flow has started

to dry up at Federated and Allied, their problems have magnified. According to Ms Michelle Davis, an analyst at Oppenheimer, New York stock-brokers: "The excessive leveraging of many department stores will be their undoing."
The recent history of Bonwit Teller and B. Altman is seen by some as a cautionary tale of how LBOs can damage a basically healthy business. Both department stores were acquired by Mr Campeau as part of Allied and eventually both ended up in the hands of

Both filed for protection under Chapter 11 of the Federal ankruptcy Code last month. Although the stores' troubles are partly attributed to Holker's Australian operations which were hurt by high inter-est rites, both stores have also

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relatively small groups.

of 1992 for the retail sector.

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Established in 1985, the Oxford Institute of Retail

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senior managers and the development of high

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length and content, designed to meet specific

company requirements. They are primarily

oriented to senior and middle managers in

The Institute also undertakes and publishes extensive research with a strong practical focus.

Recent themes have included work on the internationalization of retailing, retail seturation, prospects for out-of-town retailing, the

development of teleshopping and the implications

Further details from Michaela Bargent, information

quality commissioned research in retail

provision of small scale executive programmes for

L.J. Hooker, the US arm of

Hooker Corporation, the Australian real estate company.

retail market. Furthermore, analysts say that the succession of different owners for both outfits has hampered

their development The two old New York retailers have kept merchandise in the stores by paying suppliers ahead of delivery but their sur-

vival is far from certain. Several department stores are reaping benefits from the troubles of their competitors, such as Nordstrom, Dillard and May which have gained market share in the department store

The majority of the department stores are losing market share to speciality outfits

sector, but the majority are los-ing market share to speciality outfits. The grande dames of retailing have cut costs and examined their selling techniques to remain competitive.
A popular cost-cutting move
has been to shift corporate headquarters from high-rent to cheaper locations. J.C. Penney has moved its new corporate headquarters to Dallas, and Sears is vacating its landmark downtown Chicago building for

a home in the suburbs. Analysts expect the recent changes at J.C. Penney to begin paying off this year. Among the other restructuring steps have been closing poor performing businesses, discontinuing hard good product lines and modernising manage

Sears, the world's largest retailer of general merchan-dise, has fallen on hards times. Earnings have fallen at an annual rate of 7.7 per cout for the last five years. The company plans to sell its Sears Tower property and introduced

lower prices in March to lure

argain-hungry shoppers. While this may take its toll on gross margins, Sears hopes to make up the difference with increased volume and lower selling expenses. The company is also buying back stock. In addition to being hit by

the depressed retail environment, department stores have been hurt by the growing popularity of speciality competi-tors. The GAP and Limited Inc are two prime examples. Both have seen market share grow at a faster rate than conven-

tional department stores.

The Limited, one of the largest women's clothing specialists, was impervious to the decline in the women's clothing market and saw annual sales rise from \$2.39bn in 1985 to \$4.1bn last year.

Limited's earnings per share have nearly doubled from 80 nts in 1985 to \$1.36 in 1988. Analysts attribute the company's success to its management of inventory. The Ohiohased company manages to get its goods produced more quickly than most of its com-petitors so that retailers can judge orders by immediate sales instead of placing orders several months in advance. Moreover, the Limited's distribution capabilities are considered unrivaled in the sector.

The GAP, with 718 GAP and 110 Banana Republic shops, has also shown remarkable growth. Annual net income eapt from \$1.01 a share in 1985 to \$2.05 last year on sales of \$1.25bn from \$647.3m four

years ago.

Another fast-growing sector is the speciality catalogue business. The catalogue companies benefit from the high pressure corporate lifestyle, which leaves little time for which leaves little time for recre-ational shopping. The prolifera-tion of credit cards and tollfree long distance telephone lines have also beloed attract customers. Furthermore, they don't need expensive down-town properties and a large well-healed sales force. About 100.000 companies will mail libu catalogues to consumers this year, nearly twice the number in 1980.

Among the most successful is Lands' End, which sells its own label canvas luggage and casual clothing made by others. The 25-year-old company has seen sales grow by 25.5 per cent compound annual rate in the last four years, with an extremely healthy return on equity. Lands' End has held its ground in the rapidly expand-ing catalogue market. Last year the Wisconsin-based com-pany mailed 75.7m catalogues.

Insiders, including the founder Mr Gary Comer, own about 60 per cent of the company. When the company went public in 1986, shares sold at \$15. In the first seven months of this year they changed hands between \$26's and \$35's. Lands' End posted revenues of \$456m up 35 per cent from the previous year.

Another successful catalogue retailer is J. Crew, a New Yorksed company which has been in business for six years. Catalogue sales are expected to be about \$150m this year, up 50 per cent from 1988.

However, the catalogue sector is not without its own wor-ries. Third-class postage in the US rose 25 per cent last year and there are worries about paper and printing costs and the possibility of a softer US economy. A congressional bill may call for mail order companies to collect state tax, which is different for each of the 50 states. This would be unwieldy and increase administrative costs more expensive.

Karen Zagor

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HAVING REDIRECTED the British consumer firmly on to the path of dietary righteousness, with its campaigns against food additives and the promotion of "healthy eating," the supermarket was the obvious champion to carry the flag

of the green revolution.

There is a logical link between the promotion of healthy bodies and a healthy environment for them to thrive in. There are also compelling commercial reasons for retailers to take up the environmental banner.

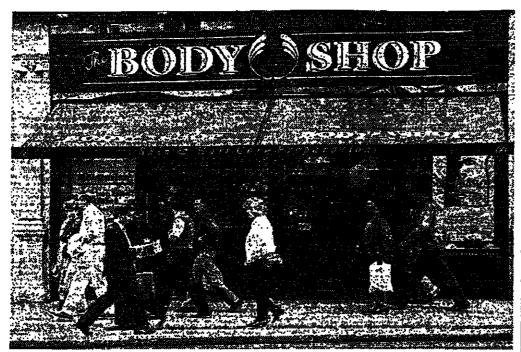
According to market researchers Mintel, Britain has a hard core of green consumers defined as people prepared to pay for a better environment equivalent to 27 per cent of the population. Almost a third of adults are prepared to pay premiums of between 15 and 50 per cent for organically sourced foodstuffs, and about 50 per cent will pay over the odds for "water-friendly" deter-

The figure for the hard core is the most significant; it indicates a substantial group of people with special require-ments. If people with babies, for example, merit a special baby section in the supermarket, even though they represent a far smaller segment of the average store's customer sumer commands comparable consideration.

If these people cannot find their phosphate-free detergent in their regular store they are likely to shop elsewhere. Providing for discrete consumer groups' special requirements becomes increasingly crucial as the habit of shopping once a week gains popularity.

The pressure on other retailers is not so great. Positive demand for "green" products has yet to spread much beyond the day-to-day necessities and sundries. And yet stores like Habitat have attempted to make their mark by declaring a sales embargo on furniture made from so-called non-renewable tropical hardwoods. Last year the Bentalls department store chain plastered stores with the claim: "Bentalls cares for the environ-

The B&Q do-it-yourself chain is promoting biodegradable paints, and housebuilder Bellway is giving away a nest box for displaced birds with every



the indications are that an international popular movement is getting under way or, rather, starting to encroach on the British consciousness from its base on the Continent. Political parties of all col-

ours have turned assorted shades of green. Manufacturers of every imaginable consumer product have attempted to present themselves as environment-friendly, and there are swathes of European Community legislation, proposed and in process, which will ensure that the ever-widening range of environmental issues continues to be given media promi-

There are countless opportunities for retailers to gain a competitive edge by showing themselves in a positive green light. They have a greater com-mand of consumer confidence than political parties or manufacturers. Relatively simple public relations manoeuvres reinforced by the occasional offensive - such as the retailers' embargo on chlorofluorocarbon propellants in aerosols - are proving highly effective.

ew home. Greenest of all, perhaps, is A cynical ear may detect the uncompromising Body

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Shop chain. Selling a limited range of benign cosmetics and lotions, it was given a high score for environmental concern by 29 per cent of all adults polled by Mintel - and by 35 per cent of women. Boots, by contrast, which sells a far wider range, scored 21 per cent and 27 per cent.

J. Sainsbury, the supermarket chain, scored 19 per cent among adults, compared with tail-ender Asda with 4 per cent. A 21 per cent mark for Marks encer, which has a high reputation for pure, lightly-pro-cessed food, helps illustrate the link in people's minds between corporal and environmental well-being.

In terms of action, Sainsbury's has led the field for some time, and seizes every opportunity to recount its achievements. It has installed "banks" for collecting recyclable bottles, aluminium cans, even newspapers. One of its newest stores recently won the Electricity Council's annual award for energy efficiency. Shelf stickers direct shoppers to "green" products and organic produce. It has cast out chlorofluorocarbons (CFCs, blamed for damaging the ozone layer) from aerosols, packaging and refrigeration units. In a coup last March, Lord Sains-bury, chairman, was the only shopkeeper summoned to address an international con-ference, called by Mrs Thatcher to air concern for the

ozone layer. The nearest opposition, including Tesco, Safeway, been swift to counter. Popular papers, magazines and weekend colour supplements regularly feature the fruits of their persistent public relations cam-

There is, however, some risk that this game of greener-than-thou leapfrog might run out of control. The experience with healthy eating showed that people absorbed information slowly, and tended to be confused by overdoses.

An analysis by Brand New, the product development com-pany suggests that 20 years

activity by most people. Ten years later, the welter of advice and conflicting evidence provoked confusion. However, limited ranges of products, such as wholemeal bread, brown rice and high-fibre cereals began to make significant progress. Healthy eating was becoming trendy. coming trendy.

Since then, lifestyle and image have overtaken overt health benefits as the main selling points, and healthy eating has become a normal activ-

Environmentalists have warned of the dangers of over-kill. Extravagant claims might dissipate the forces for good already at work, and lead to cynicism among consumers. The Advertising Standards Authority has taken a stand. After taking several leading companies to task for fanciful application of the terms "green" and "environment friendly," it warned recently that it would in future be keeping a close watch on publicity.

Those in the forefront of the greening of Britain have a considerable responsibility to be clear, fair and honest. They have to pace their programmes to ensure that they do not get too far ahead of the market. They must also bear in mind that Britain's late awakening to environmental concerns means the country's infrastructure is in no fit state to handle

Facilities for recycling alupaper and plastics fall far short those elsewhere in the industrialised world. For example, the UK has one bottle bank for every 16,000 people compared with one for every 1,500 in the Netherlands. Only 5 per cent of aluminium cans are recovered compared with 55

David Barchard on the advance of electronic payment methods

Lure of the low-cost card

RETAILERS HAVE been in thrall to banks since the beginning of time. Now, with electronic technology changing the way customers pay for their goods, the relationship between banks and retailers is

being rapidly transformed. The changes, already wide spread in some advanced industrial economies such as Britain, Denmark, and the US. though much less common in West Germany, centre on the use of plastic cards.

Electronic technology has made it possible for large retailers to manage stock taking operations through point of sale terminals, called EPOS, with an efficiency impossible generation ago. Add funds transfer payment to EPOS and you get EFTPOS, electronic funds transfer at point of sale. Developments in EFTPOS have come thick and fast in the UK in the past year, where payment by plastic card through bank-owned terminals such as Barclays' PDQ or Accept, has become fairly

• EFTPOS UK, a centralised electronic payments system operated by the banks, began its first "live trials" in three

British towns in August. • Switch, a new electronic debit card scheme, has been set up by NatWest, Midland, and Royal Bank of Scotland, gaining rapid acceptance among some retailers.

 Lloyds Bank has launched what it claims is the most advanced EFTPOS terminal for stores, enabling retailers to combine their own automated counter installations with the bank's electronic payment authorisation terminal

 "One stop" processing services for most credit and debit cards is being provided to retailers by banks. Smaller banks such as Lloyds and Royal Bank of Scotland are competing against NatWest and Barclays to provide these unified card processing ser-

Though not all European markets are moving at the same speed, there are comparable developments going on elsewhere in Europe.

"The consumer market has radically changed." says Mr Michael Williamson, Research

ation of Payment Clearing Services) in London. "Retailers everywhere are automating their information handling of which payments are only one part. They are looking for and finding natural synergies between EPOS and EFTPOS.

"Introducing EFTPOS only would be a very hard slog for banks and retailers, but in practice it 'piggy-backs' on to EPOS." Mr Williamson says.

Other financial services industries note that the changes are not confined to Britain. "What we are increasingly seeing is that retailers are crossing national frontiers in Europe – not always suc-cessfully at the first try, it has to be said - and developing international experience early on." says Mr Alan Stark, Managing Director of American Express Travel Related Services in the UK.

Installing the technology has given retailers a strong competitive advantage and gone a long way to dissolve the cartels operated by the banks in the 1970s. One indication of this has been a fall in the merchant discount - the commission on each credit card transaction paid by retailers to the banks

"The average merchant discount is now down to around 2 per cent from 2.3 per cent not much more than a year ago. says Mr Ken Bignall, chief executive of Barclays Central Retail Services which issues Barclaycard and Connect, the first UK debit card.

Banks outside the scheme claim that the biggest victories by retailers over banks have been scored in the setting up of the Switch system. Switch was set up in the autumn of 1988 to a chorus of criticism from

credit card organisations.

It is an "electronic-only" card which cannot be used with a paper voucher or out-side the UK. But it is precisely these two characteristics which make it attractive to retailers such as Sainsbury's which want a low-cost, no frills payment instrument for their terminals, rather than access to an international payment system such as Visa.

According to Mr Bob Woodman, director of the Retail

to a particular store.

Offering a good range of products is one way shops can

differentiate themselves. Mr

David Clipsham, head of the specialist shops division of the W H Smith group, which

W H Smith group, which includes chains such as Our Price music, Paperchase, the

stationery group, and the Sher-ratt & Hughes and Water-stone's book shops, suggests

that these shops attract cus-tomers who can be certain of

finding a wide range of goods

The quality of the products on offer is just as important as the price. Price on its own is

not sufficient, customers must

be persuaded of value for

tomers. However, Mr Tweddell

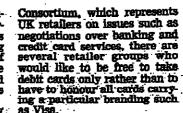
warns, service must be genu-

ine and not of the cynical

Service is another platform from which retailers are attempting to appeal to cus-

to choose between

money as well.



Mr Woodman regrets that the recent Monopolles and Mercers Commission report on the credit card industry did not recommend the scrapping of the "honour all cards" rule. He describes as "gross abuses" efforts by banks to get retailers to accept these new card prod-

cards. _

In West Germany the battle between banks and retailers has become even more bogged down in pricing issues. Because the German banks invented in the late 1960s a highly secure payment mechanism — the Eurocheque — for which retailers do not pay commission, it is difficult to get them to accept new elec-tronic methods for which they

ucts on the same terms as for

the older generation of credit

pay a commission. If the Eurocheque plastic card goes down the same route as the Switch cards in the UK.

retailers will have to pay a fee but it is likely to be low. GZS (Gesellschaft für Zahlungsysteme), the inter-bank pay-ment organisation, says it is ment organisations proposals discussing retailers proposals in pay 0.2 per cent and a flat fee of 7 Piennigs (about two pence) per transaction.

4.5

Progress towards electronic funds transfer is going more slowly than the banks would like. Until recently plastic cards have been frowned on by the German banks and German retailers are much less accustomed to taking plastic cards. tomed to taking plastic cards.
Eurocard, the dominant German credit card branding, has only 115,000 retail outlets, compared to over 300,000 for Access and Visa in the UK.

On the other hand, neighbouring Denmark has an EFT-POS system in some res in advance of the UK. With retailers increasingly con-scious of the need to harmonise standards and systems across the Community, some plastic card specialists predict that Switch and some of the other European electronic payments cards will forge links.

If that happens, it will be a serious blow for Visa and MasterCard and the banks which back them.

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To make money today in retailing it's not enough to be a big chain. If you are a retailer looking for growth opportunities, finding a fragmented market and creating a new chain is no longer a sufficient recipe for success. Profit, growth and innovation in retailing are increasingly dependent on building advantage through customer understanding, operational effectiveness and competitive differentiation. The successful chains of the '90s will be those which not only define the business of the operational effectiveness and competitive. achieve scale but also get the retail formula right.

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per cent in the US and up to 85 per cent in Sweden. Much excitement has been generated about retrieving and recycling plastic waste, but there is as yet no effective means of processing it usefully. Christopher Parkes healthy eating was Counter attraction . . . EPOS terminal outckens service Shops pine for long-term relationships with fickle customers

No substitute for value for money

THERE IS no really successful substitute in retailing for offer-ing customers the goods they want, at the price they want to pay, through the channel they find most convenient or enjoy-All attempts to attract and

retain customers boil down to meeting their desires in one form or another. When consumer spending is buoyant, shoppers may be prepared to fall for marketing gimmicks. But where the squeeze is bit-ing, as in the UK, customers look for the traditional, solid virtues of price, value for money and service.

The aim of all retailers is not simply to make one sale, but to keep customers coming back customer loyalty is one of the most important aspects of the business. But customers are notoriously "promiscuous" - for them it is a simple matter to switch their patronage from one shop to another. Far more than most industries retailers's can change to another supplier

with out any penalties. Ham-fisted attempts at per-suasion, says Mr Crispin Tweddell, head of Piper Trust, a retail consultancy and venture capital group, are quickly spotted by customers, and "persua-sion does not endear them, nor does it build loyalty." Instead, he says, retailers need to build a long-term relationship of

The "price pledge", typified by the well-established and brilliant marketing idea of the John Lewis department stores' "never knowingly undersold" guarantee, has been taken up by many others.

The promise to refund the



Counter attraction . . . in-house credit cards nurture loyalities

difference in price to a customer who after buying something spots the same goods elsewhere at a lower price, is often sufficient to prevent a customer from bothering to compare prices. Most customers cannot be bothered to go round half a dozen stores comparing prices, but look for a shop where they believe they will get the best deal.

An extension to the price promise ploy, is the discount for loyalty card introduced by B&Q, the leader in the fiercely competitive do-it-yourself market. This discount card was launched before Easter this year. Customers who pay £25 for the card are then entitled to 10 per cent off all their purchases for a year, and even greater discounts at some peak weekends. Once bought, the cardholder has a clear incentive to return to B&Q rather than go to another DIY

customers can be channelled through stores' in-house credit or charge cards. Marks and Spencer, for instance, regularly invites its chargecard holders to shopping evenings, when customers can buy goods in calmer surroundings and enjoy a glass of wine at the same

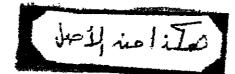
But low prices or special offers are not in themselves enough to keep customers coming back. Retailers need to differentiate themselves from their rivals, so that shoppers have a clear reason for going

"have a nice day" variety.
"Customers are pretty darn savvy," he says, "they are not fooled by 'customer care' pro-Other methods of offering something special for regular grammes. Retailers can also differentiate themselves by the location

of the shop - such as a conve-nient supermarket which complements a larger superstore some distance away. Or by selling through home shopping N Brown, for example, is a

mail order company which has found and developed a niche in selling clothes to larger women who may not want to go into a shop to try a dress on, but are happy to buy if they can try it on at home.

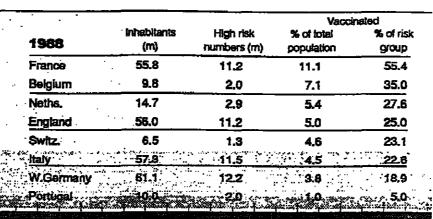
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TECHNOLOGY

As the flu season approaches, Rachel Johnson looks at the cost of protecting people from the virus and whether employers can benefit from offering jabs to their staff

Influenza vaccination levels in Europe

ATRINOSTO E SI SI SILLES BELLES BELLES TRACIONESSES BELLES


No assurances from a shot in the arm

octors can say with some certainty that flu jabs start with the egg and not the chicken, because the vactine is grown there. But they cannof assure their patients that baring their arms to the needle this autumn will avert a bout of the

Industry and the health service have a close interest in the matter. Vaccinations have to be carried out before the fin season begins in November. Those who succumb to the virus can expect to spend up to two weeks in bed, and six more feeling under par.

The virus incurs heavy costs in terms of lost working days and the treatment of serious cases. Flu claims a big part of the sickness benefit budget in the UK, with claims ranging from 6m days a year to 26m in a had year.

CONTRE BUILDING

a bad year.

Even though there has not been an epidemic in the UK since 1976, a non-epidemic year such as 1988 can take a heavy toll too. Over Christmas, severe outbreaks of flu depleted ranks of postal workers to such an extent that the Christmas mail was threatened. Almost half the 400 workers at the Romford office fell ill and post had to be diverted to Liverpool, 250 miles away.

About one in eight sufferers will require antibiotics for secondary infections in the chest, which cost the NHS £7 a course. In hospitals, whole wards can be taken up by patients with flu complications during an epidemic (more than 100 cases per 100,000 popula-

Preventing this expensive and debilitating disease starts with eggs, the blobechnologist's perfect medium. Isolated from maternal influences, eggs can be handled rapidly and in bulk by automated equipment. The cells of the chicken embryo host the replicating virus for three to four weeks, making it possible to produce the large quantities of vaccines.

Manufacturers, however,

SACH CONTRACTIONS

Manufacturers, however, cannot start growing their vaccines until the World Health Organisation has made its spring selection of the three strains of flu most likely to be circulating in the winter. It cannot sell them until the health department has checked them and issued a product licence.

The raccine has to be tai-

lored every year, partly because the mix of viruses changes and partly because individual viruses sometimes change their spots in a process called antigenic shift or drift.

'Ancionados of the virus may wish to know that this autumn's highlights are likely to be the Shanghai, Singapore and Yamagata strains. We know this because laboratories in 100 countries contributed samples to two main disease control centres in London and Atlanta, Georgia. The WHO analysed the samples foreign invading organisms — antigens — and announced the three prevalent strains. The three strains are grown in separate eggs and then mixed

together, so that people need only one shot. The Singapore strain is particularly nasty. Last year the public health laboratory in North London attributed the virulence of outbreaks to this strain, which reared its ugly head after more than 20 years. It is a fiendish virus to pin down, says the Influenza Monitoring and Information Bureau (Imib), which is funded by three manufacturers: Servier and Merieux, both French, and the Dutch Duphar. Strains change in a similar way in different parts of the world and, even more mysteriously, new strains sweep around the world at the same rate as they did before air travel became com-

momplace.
The World Influenza Centre in London cannot say why a strain re-emerges to wreak havoc after years of dormancy. However, those born before the last outbreak of a strain will have natural immunity to it if they were exposed to it.
But all this does not answer the question which many peo-

the question which many people will be asking this month: whether to have the jab or not. Employers who offer free doses might consider whether they are getting value for money.

Companies anxious to avoid losing productivity to the virus, such as Marks and Spencer and Coopers and Lybrand, order straight from the manufacturer and pay about \$5 a dose. Servier will not say how much it costs to make the vaccines, nor how much money the company made by selling the doses. But John Roberts, the company's product manager, says drugs companies make "less than the public

spent their money wisely is difficult to tell. The results of trials have been inconclusive. A 1984 study involving Post Office workers showed that there was no difference in the incidence of flu and working days lost between vaccinated

and unvaccinated employees.
Against this poor result Imib
sets that of a 1982-1983 trial in
a New York home for the
elderly. Respiratory illness was
"significantly more common"
in the unvaccinated group.
The Government maintains

a detached attitude to the ques-

tion. In mid-September, the Department of Health will write to GPs, reminding them that the vaccines can be given free of charge to the elderly and others in "at risk" groups. It also urges boarding schools and other closed communities, such as army camps, to consider the vaccination—though it refrains from making a positive recommendation. Christine Murphy, from the Department of Health, says this is because it is impossible to "second guess" the strains accurately enough, despite worldwide monitoring and research. Viruses which cause the epidemics tend to originate in animals and therefore take the human immune system by surprise.

So the official policy is not to attempt to control the spread of the disease by vaccination, but to maximise protection of those at risk of complications following flu infection.

ager, says drugs companies
make "less than the public
imagines" out of flu vaccines.
Whether companies have

The at-risk groups are the
elderly, especially those with
chronic lung, heart or kidney
disease; health service staff in

contact with infected patients; diabetics and those with endocrine (hormonal) disorders. Pregnant women and those allergic to eggs should also not have a jab.

Although the UK has just as much flu as other European countries, its citizens have fewer flu jabs than most. Imib says this is because manufacturers are not allowed to advertise in the UK. In France, where they are, the take-up rate is higher. In the US, where they are as well, the vaccine in promoted in supermarkets.

The public perception of flu jabs is that they have only a patchy effectiveness. People still worry that jabs stimulate a "mild dose" of flu before immunity, but the only possible side effect is a sore arm. And there is no such thing as a mild dose of flu. It is an "extremely unpleasant illness," lmih says.

Dr Alexander McNair, adviser to Imib, says demand for the vaccine has fallen, partly because there has not been a major outbreak for 13 years. The worst flu pandemics were during the Boer War and the First World War, when young men from isolated rural communities were suddenly thrust into close quarters and exposed to the virus.

With no world wars looming, nor epidemics predicted, we are likely to see flu jabs aimed primarily at the at-risk groups. Manufacturers sold only between 2m and 2.5m doses in the UK last year, but are hoping to sell them to an increasing number of the estimated 10m in the at-risk groups.

Hunt for the ceramic tusk

THE DAYS of the Ivory poscher could be numbere not just because of the clampdown on elephant hunters but because of technological moves to

produce artificial Ivory.
Researchers at the
University of Nottingham, in
the UK, are developing an
alternative to the elephant
tusk using blo-ceramics. The
material is based on those
used for artificial limbs and
could appear in anything from
piano keys to jewellery.

Researchers believe ceramics more closely resemble ivory than plastics, which are typically used to replace the natural material. Like ivory, ceramics are porous and good thermal conductors — particularly attractive for plantsts, as they absorb sweat and are cool to touch even during prestissimo performances.

The university is looking for further funding.

Data sent via

THE MAINS can be used for transmitting more than just electric power. Computer data can also be sent along them. Verran Electronics, of

Verran Electronics, of Basingstoke, has developed a system which allows data to be transmitted from, say, two or three personal computers to a printer simply by plugging the units into the ordinary wall sockets.

The AC Datalink translates the computer data into an FM signal which can survive the hostile environment of the meins wiring system. The device scrambles the data for security and then decides on the size of package of information for transmission. If the mains are "noisy", the data will be put into small packages, if not, large ones

The system continues to send each package until the receiving device reports that it has arrived intact. The data is transmitted at up to 16 kbits of information per second—a tightiy packed A4 page would take about two and a half seconds.

The system costs £175 per item connected to the mains.

will welcome a new type of

Lenses without fuzzy edges
PEOPLE who wear glasses

WORTH WATCHING

Della Bradshaw

lens that eliminates fuzziness from the edges of their field of vision.

The aspherical lenses achieve this near-perfect vision by making the curvature of the lens steeper in the centre than at the edge. Hoya, of Japan, has begun marketing aspherical lenses in Japan and Europe. They are made from a new type of plastic which makes the lens more powerful. As a

result, a much thinner and lighter lens is needed to correct sight defects.

An added bonus of the Hoya-Lux lens is that it has a chemical coating which

a chemical coating which makes it resistant to scratches.

Bright move in light meters

A LARGE computerised light meter, to help measure the output of electric lamps and fittings, has been developed for industrial lighting manufacturer F. W. Thorpe, of Redditch, writes Clive

The goniophotometer, as it is called, could be used to measure light output in both the development phase of a new light fitting or in the final quality control process. Developed by PERA, the UK contract research organisation, the 24 ft high machine rotates so that it can

measure the fight intensity from a lamp or light fitment up to 35 ft away in any direction. A typical test, requiring 2,000 readings, can be completed in two or three hours, rather than the two days required by its manual equivalent.

The machine includes two mirrors made of 6 mm float glass on a light aluminium honeycomb support. The mirrors reflect the light so

that it can be measured by the selenium photocell, developed by Megatron of London.

As a safety feature, a fibre-optic bumper is attached to the machine. If anyone touches it, the light signals travelling along the glass fibres are interrupted and the machine stops.

Data broadcast in Australia

FOLLOWERS of the Australian Stock Market (ASX) will soon be able to receive up-to-the-minute share information, be they in Sydney or Alice Springs.

ASX is turning to broadcast technology to ensure that its information can be distributed nationwide. Until now the data has been sent over telephone lines and limited to 1,400 subscribers in Sydney and Melbourne.

The broadcast system, developed in the UK by Infocast, a subsidiary of Citicorp, should be in operation by the middle of next year. It will make use of the vertical blanking interval (VBI) on the ABC television network. (The VBI is the space between the frames of the television picture into which parcels of

data can be squeezed.)

To receive the information, subscribers will need to install a television aerial or satellite dish and a terminal incorporating the box of tricks needed to decipher the broadcast signal.

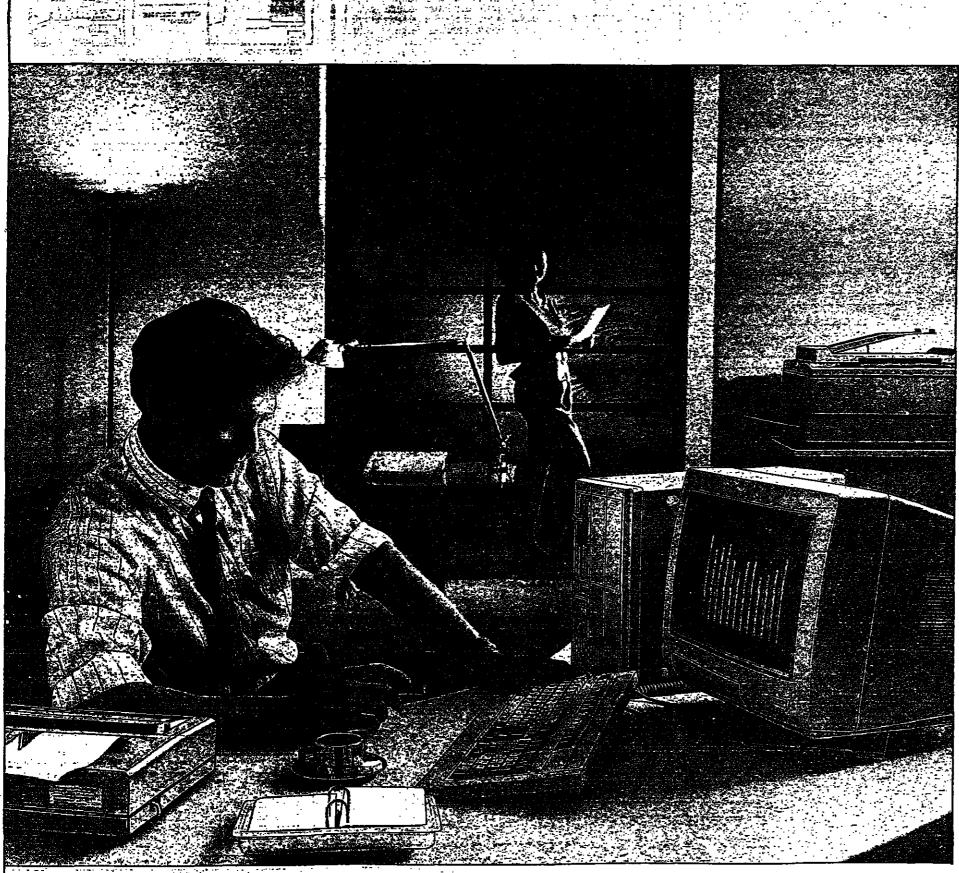
The automatic flush

THE LATEST high-tech convenience to sweep the US is the self-flushing lavatory.

The lavatory is operated by an infra-red beam. When in use, the body of the person breaks the beam, but when he or she moves away, the restoration of the beam triggers a switch. That in turn sends an electronic pulse to the toilet valve, activating the flush.

Developed by the Sloan Valve Company, of Franklin Park, Illinois, the loos are already installed in several airports.

CONTACT: University of Nottingham: UK, 1602 484848. Infocast: London, 438 1303. Hove: Ispan, 3 952 151: Netherlands: 2875 45777. PERA: UK, 0684 501501. Verran Electronic: UK, 0256 816555. Stoan Valve Company: US, 312 671 4300.



GERMANY, BENELUX, SCANDINA/IA, AUSTRIA; SANYO BUrb-Electronic UK, SANYO Information Systems (UK) Ltd. FRANCE: SANYO France S.A. SPAIN: SANYO España S.A. ITALY: SANYO Italiana S.p.A. SWITZERLAND, Dimag AG

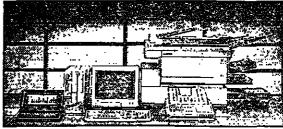
I JUST HAD ANOTHER GREAT IDEA. SANYO.

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Big rises in LME stocks drive metal prices lower

By David Blackwell

BASE METAL prices fell across the board on the Lon-don Metal Exchange as stocks rose sharply.
Cash nickel, which shed

more than \$1,000 a tonne last week, suffered the steepest fall, tumbling another \$800 to \$10,525 a tonne. This is equiva-lent to \$4.77 a lb — well below the psychologically important \$5 a lb level — and followed a rise of more than 50 per cent in LME warehouse stocks to 4,248

The cash price for special high grade zinc moved to a dis-count against three months metal for the first time since March as LME warehouse stocks rose sharply for the sec-

ond week running.

Cash metal closed down \$68
at \$1,579.50 a tonne - \$4 off the
three-month price. A week ago stocks rose by 6,675 tonnes to 58,275 tonnes - the highest level since July 1984. Yesterday they leapt by 10,350 tonnes to

Aluminium stocks in LME warehouses fell by just over 2,000 tonnes yesterday, but the news was cancelled out by figures from the International

LINE WAREHOU	SE STOCKS
(Change during w	reek ended last Frid
tonnes	
	-2.200 to 23.6

Primary Aluminium Institute. These showed a rise of 107,000 tonnes in unwrought aluminium stocks in the non-Communist world to 3.305m tonnes for

July - the highest level since May 1987.
Mr Nick Moore, metals analyst with Ord Minnett, the London securities house, described the fall in nickel prices as a rout, and said the decline had n pervasive throughout the LME markets.

"Everybody has been waiting for the first sign of fourth quarter consumer demand - but so far it hasn't come through. Unless it does, these prices are just going to slip slide away," he said yesterday.

He believed there was plenty of potential for a fall, pointing out that copper prices had

declined sharply even though Bougainville in Papua New Guinea was still shut by political violence and Highland Valley in British Columbia was still on strike. News that minrowly voted to stay on strike at the weekend was ignored by

Mr Neil Buxton, analyst with Shearson Lehman Hutton's London metals team, said the stock increases had been by far the biggest factor pushing

prices down.

He thought that production of stainless steel, the rise in which has been the principal factor behind high nickel prices, was coming off its peak, and stainless steel stocks are now high. Mr John Harris of Rudolph

Wolff, the London trade house, said that high zinc prices had attracted deliveries into LME

He believed that while demand from the galvanising industry was strong, the high prices had led to substitution in other markets, and this was now beginning to show in the rising stock levels.

UK rapeseed area seen rising

By John Buckley

UK FARMERS are likely to increase rapeseed plantings for next year by 25 per cent to a record 400,000 hectares, according to an estimate based on seed sales by Dalgety Agricul-

Farmers, who sow the crop from late August through September, were responding to a surge in open market prices this season after the recently harvested 1989 crop fell for the second year running, said Mr Andrew Barnard, Dalgety's crop marketing manager. The current harvest was likely to total only 950,000 tonnes, compared with 1.03m tonnes last year and nearly 1.3m tonnes in

The UK crushed 1.17m tonnes last year and would need to import heavily to fill capacity, which had expanded to about 1.4m tonnes.

The oil produced from rapeseed is used for cooking, mar-garine and the preparation of many manufactured foods, while the meal from crushing has been steadily expanding outlets in animal feed in recent

The UK situation now is the reverse of that which existed last year, when a £50 decline in prompted farmers to cut sow-

The trend is mirrored across

has dropped from 5.2m to 4.9m tonnes compared with crush capacity of between 5.5m and 6m tonnes. Traders have been urgently buying up rapeseed from Poland which is thought to have a 300,000 to 400,000 tonne surplus.

The smaller crop and current rapeseed input prices some £70 up on last year's are only part of the problem facing crushing industries, however. Oil content of this year's crop seed has dropped to an estimated 41.5 per cent from last year's 43 to 44 per cent, while the extraction rate from new, smaller varieties of seed has also fallen, further reducing its real

Drought and pests hit hop harvest

Agriculture.

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S HOP harvest this year is expected to be under 5,000 tonnes partly because of the drought in the south east and partly because of infesta-tions of red spider mite, a pest

endemic to the crop.
According to English Hops
Ltd, which represents about 60 per cent of the country's 270 growers, the total harvest is tonnes, roughly equivalent to that of 1988, itself the third year running with low yields. Mr Ben Wright, in charge of EHL's liaison with growers,

attributes the relatively poor harvest - now about 60 per cent complete - primarily to the drought in Kent, in south east England. Yields in midland areas are reported

However, the drought conditions have encouraged the spread of red spider mite which has proved difficult to chemical spray used to kill the pest, has been unavailable since June following a banning order from the Ministry of

COCOA - London FOX

Despite ministry recommendations, growers have not yet found an effective substitute, EHL says.

LONDON METAL EXCHANGE

Copper, Grade A (£ per tonne)

1818-20 1810-1

m. 98.7% purity (5 per ton

44 (309) lots of 3.250 kg

Previous

1713-5 1707-8

The area under hops in Britain has declined markedly over the last decade while production of the hop - used to impart flavour and aroma to beers of all sorts - has halved. Among the reasons for the tion to lager type beers, which use fewer hops, and changes in technology which make the hops used in brewing go fur-

Brazil denies plan to join tin group

By John Barham in Sao

BRAZILIAN FOREIGN Ministry officials yesterday denied reports that the country would seek full membership of the Association of Tin Producing Countries at its annual conference, to be held in Bang-

Mr Licio Paim, a foreign ministry official, said "every year on the eve of the annual conference, the Asiatic countries insist on Brazil becoming a member," but that this has been repeatedly avoided."

Discoveries of major time

Discoveries of major tin deposits in the Amazon have transformed Brazil from a marginal producer into the world's gnal promicer into the world's leading tin producer, with annual production of 44,000 tonnes. But the country has chosen not to seek full mem-bership of the ATPC cartel. Brazil, together with China, mother major tin producer.

another major tin producer, has observer status at the ATPC. Mr Paim pointed out that observer status "has not prevented Brazil from collaborating strongly to shore up prices and Brazil has been act-ing as if it were a full member" of the ATPC.

This year, the association awarded Brazil a 31,500 tonne export quota, 7 per cent more than in 1988. However, the For-eign Ministry said that it merely represented the interests of private mining companies at ATCP meetings. The companies have opposed upgrading Brazil's observer

Soviet sale will cut US butter 'mountain'

By Nancy Dunne in Washington

AN \$80.9m US sale of surplus government-owned butter to the Soviet Union announced at the weekend will wipe out about one-third of the slowlymounting US butter stockpil A large component of the 110m pound sale was govern-ment subsidies. The butter was

priced at about 73.5 cents a pound, while the Government now pays about \$1.21 a pound under its domestic price support programme.

Mr Peter Vitalino, director of policy analysis at the National

Milk Producers Federation, said additional sales to the Soviets might be possible, although some of the remaining surplus could go to Poland Lower US milk price supports - now \$10.60 a hundredweight - over the past few years have been reducing

prices and spurring exports.

1829-80 1815-8

440-0.5 444.5-5

High/Low

1705/1680

1830/1827 1820/1809

WORLD COMMODITIES PRICES

AM Official Kerb close Open Inter-

1688-90

1812-3

30,759 lots

71.471 lets

11.644 lots

Ring ternover 4,900 tonne

Ring turnover 618 tonne

Ring turnover 465 tonne

5,312 lots

ver 41,225 tonne

Australia to fight Gulf sheep scare

By Tony Walker in Abu Dhabi

THE AUSTRALIAN Meat and Livestock Corporation will this week launch a publicity cam-paign to contradict highly paign to contradict nighty damaging articles that have appeared recently in Gulf newspapers suggesting that allegedly diseased Australian sheep are a threat to pregnant women and the camel population of the Arabian peninsula.

Mr John Wotton of the corporation's Rehrain office said

poration's Bahrain office said yesterday that a press release would be distributed to local would be distributed to local newspapers and to news wire services to answer specifically an "alarmist" article at the weekend in al Khaleej, an Arabic newspaper, published in the United Arab Emirates. The al Khaleej article, which

suggested that pregnant

women would be at risk if they ate Australian meat was perhaps the most extreme in a series that have appeared in newspapers around the Gulf that have seriously harmed consumer confidence in Australian food products.

Mr Wotton said the corpora-tion had decided to step up its efforts to counter the rash of bad publicity after indications that consumers were starting to boycott Australian meat. The AMLC spends about A\$2m (£990,000) a year on advertising in the Gulf.

Meanwhile, it was reported today that Gulf Co-operation Council officials would meet in Riyadh next month to discuss a common approach on Austra-

"The meeting will consider a joint strategy towards live animal imports from Australia and other countries," an official at the United Arab Emirates' Agriculture and Fisheries Ministry was quoted as saying.

The council is the umbrella organisation for six Arabian peninsula states who are among the biggest importers of Australian live sheep. The regional grouping is dominated by Saudi Arabia.

Controversy flared over Australia's lucrative A230m-a-year live sheep trade to the Middle East in July when Saudi Arabia began rejecting shipments on the the grounds that the animals were diseased. Australia has strongly denied the Saudi claims, but

the issue is proving very diffi-cult to resolve. Pressure from Sandi sheep producers, who want to reduce competition, is reported to be one of the main factors in blocking a resolu-

tion.
An Australian official in the Gulf today welcomed news that the GCC was to discuss the vexed live sheep issue. He said

vexed live sheep issue. He said that indications that the council was seeking to adopt a common policy on the question was a promising development.

Australia exports more than 6m live sheep to the Middle East annually, almost all of them to the Gulf. A continuation of the dismute could have tion of the dispute could have disastrous consequences for sheep markets in Australia itself.

Arab consumers boycott Australian meat

Tony Walker on a crisis of confidence threatening a lucrative trade "WE HAVE a very, very hig problem with this meat," declared Azzam Hassan al

Australian Live Sheep Bayd, standing in his coolstore full of unsold carcasses of Aus-tralian sheep.

Meanwhile, at the counter of Middle East in 1988-89 ('000 tonnes) Saudi Arabia Mr al Bayd's butcher's shop in a large Abu Dhabi super-market business was very

slow. Customers were purchas-ing Dutch beef, but they were steering clear of mounds of Australian lamb chops and A Lebanese housewife, said

she was feeding her family chicken and fish for the time being until she was satisfied that Australian meat was safe.
"Before I always bought
Australian meat," she said,
"but now because I am reading

the news I am not buying." Consumers in Gulf states are deserting Australian meat products in droves following

products in droves following an avalanche of adverse publicity in the local press about the dangers of allegedly diseased imported live sheep.

The al Bayd butchery, one of 15 owned by the family, was selling each day at least 150 sheep imported chilled from Australia before both Saudi Arabia and Abu Dhabi refused shuments of live sheep on the shipments of live sheep on the grounds that these animals were disease carriers. Now sales have been reduced by more than half as consumers shy away from all Australian

When Australia last month was left with little choice but to suspend exports of live sheep to Saudi Arabia, it meant that by far the world's biggest market for Australian livestock was effectively closed. Saudi Arabia has been importing about 3.5m Austra-lian sheep out of total annual

At risk is not only the lucrative live sheep trade to the Gulf worth A230m (£114m) annually, but also shipments of chilled meat that earns about

Total Value* A\$230m

A90m a year. Australia's entire meat trade to the Middle East, a cornerstone of the domestic industry, is now

Australian officials refuse to comment on the exact reasons for the Saudi decision effec-tively to "black" live sheep from Australia by claiming they were diseased. But one of the factors was reported to be pressure from local Saudi Ara-bian sheep producers who were having difficulty competing with lower-priced Australian

if the aim of the Saudis was to encourage a strengthening of local sheep prices by exclu-ding the Australian product, for whatever reasons, then they have succeeded almost certainly beyond their expecta-tions. Saudi sheep prices have almost doubled in the past two

Australian officials, who Australian officials, who strenuously deny suggestions that any of the live sheep were carrying the viruses alleged by the Saudis and Abu Dhablans, namely bluetongue, sheep pox and brucellosis, are yet to receive results of tests supposedly carried out by Saudi Arabia inspectors. This is in spite of received recovers for spite of repeated requests for these details to be made available under an international convention - to which both countries are signatories that provides for the sharing of information about infections in

The official Saudi Arabian press in the past week has pointedly praised the country's veterinary testing capabilities, but experts in the region are sceptical about standards. Likewise, reservations are also being expressed about the reli-ability of Abu Dhabi's testing

The Australian strategy has been to avoid confronting too directly claims that the she were diseased in the hope that the issue could be resolved amicably, but there are signs that the Government is becoming increasingly frustrated over the whole affair.

Mr John Kerin, the Minister of Primary Industries and Energy, has written twice to his Saudi counterpart, Dr Abdul Rahman Ibn Hassan al Sheiki, asking for the ban on Australian sheep to be lifted. Mr Michael Duffy, the Trade Minister, has also weighed in Minister, has also weighed in with a letter to the Saudi Minister of Commerce who visited Canberra earlier this year for a a meeting of the joint Saudi Arabian-Australian commis-

It is perhaps hard to believe, but the responsible Saudi Min-ister of Agriculture has been away on holiday for most of the controversy, and, it seems, no one, under him has suffi-cient authority to deal with the issues involved.

Australian officials, unsurprisingly, are puzzled, per-plexed and sometimes dismayed over the course that events have taken.
As one official said: "This

has not just damaged our reputation here as reliable suppliers, it has harmed our whole international reputation." Local importers say that it will be extremely difficult for Gulf states to replace

lian live sheep with breeds from other countries. The Gulf states also import live sheep from Rumania and

Bulgaria, and New Zealand is

COPPER 25,000 lbs; cents/lbs

now seeking to increase its exports to fill the potential gap, but these countries do not have sufficient numbers to sat-isfy the Middle East market all

the year round.
"Australian sheep would be wery hard to replace," said Mr Mohammed Shaban of the National Trading Company for Meat, Sheep and Foodstuffs in Abu Dhabi. "It would take a lot of time. As well, people have got used to Australian meat."

Mr Shaban, whose company is the biggest importer of both Australian chilled meat and livestock in the United Arab Emirates, said that for the time being he was reducing imports, but he expected the dispute to be resolved fairly

Meanwhile, the Australian Meat and Livestock Corporation in Bahrain is planning a publicity campaign to counter highly adverse reports in the local press about the dangers of eating contaminated Australian meat. But it seems that unless the authorities give Australian sheep shipments a clean bill of health an advertising campaign would be of lim-

The issue of "face", or national pride, has unfortu-nately intruded itself into the dispute and will almost certainly make the issue more difficult to resolve. Neither the Saudis nor the Abu Dhabians are likely to take kindly to suggestions that their veterinary testing procedures are not up to the highest international

standards. Australian complaints about these procedures are probably counter-productive. But the dilemma for the Australian Government is whether it can afford to allow the dispute to drift on without a stronger representation, and perhaps an urgent visit to the region by the Minister of Primary Indus-

tries himself.

Chicago

LONDON MARKETS

COCOA prices firmed yesterday on shortcovering and a break through mild resistance at £817 a tonne. But trading was subdued as the International Cocoa Organisation (ICCO) met in London to discuss the future of the international agreement Traders, however, do not expect much to emerge from this week's talks. Consumer countries are waiting for producers to make a proposal to save the pact, which has been trozen since February last year and has only a year to run. The Ivory Coast, the world's biggest producer, and the Cocoa. Producers Alliance are said to have reached a common position. Coffee prices were steady, but traders said market sentiment was uncertain and was likely to remain so until the International Coffee Organisation meeting at the end of the month.

SPOT MARKETS		+ or -
Crude oil (per barrel FOB)		
Dubai	\$15.70-5.80w	
Brent Blend	\$17.88-7.90w \$19.79-9.84w	
W.T.i. (1 pm est)	\$18.18-8.04M	TU.19
OB products		
(NWE prompt delivery per to	onne CIF)	+ or -
Premium Gasoline	\$204-206	+12
Gas Oil	\$166-168	-12
Heavy Fuel Oil	\$85-87	+ 12
Naphtha	\$155-157	-12
Petroleum Argus Estimates		
Other		+ 01 -
Gold (per troy oz)-	\$358.75	-1,25
Silver (per tray ozi-	507c	-6_
Platinum (per troy oz)	\$471.9	-2.7
Paliadium (per troy oz)	\$134.85	-0.15
Aluminium (free market)		-45
Copper (US Producer)	131 ² a-135c	
Lead (US Producer)	40.5c	
Nickel (free market) Tin (Kuala Lumpur market)		-45 +0.04
Tin (New York)	399.5c	-3
Zinc (US Prime Western)	83 k c	
Cattle (live weight)†	117.47p	-1.52"
Sheep (dead weight)†		-1.52° -8.77°
Pigs (live weight)†	105.67p	+7.73
London derly sugar (raw) London darly sugar (white)		-1.2
Tale and Lyle export price	2423V 2331	+1
_ 		
Barley (English feed)	£106.25	+0.25
Maize (US No. 3 yellow) Wheat (US Dark Northern)	£125	
	£126.5t	
Rubber (spot)♥	60.00p	
Rubber (Oct)♥	63.00p	
Rubber (Nov)♥	63.75p	
Rubber (KL ASS No 1 Oct)	238m	+1
Coconut oil (Philippines)§	\$492.5v	
Paim Oil (Malayslan)§	\$320	
Coora (Philippines)§	5295	
Soyabeans (US)	£180	+3
Cotton "A" Index	81.40c	-0.25

Wooltops (64s Super) E a tonne unless otherwise stated, a-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. tMeat Commission average fatstock prices. * change from a week ago. \$\text{\$\text{Cif Rotterdam.}}\$
\$\text{Bullion market close. m-Maleysian cents/kg.}\$

	Çiose	Previous	High/Low
Sep	769	752	770 761
Dec	824	808	827 813
Mar May	788 795	774 783	792 781 800 790
Jul	811	796	812 805
Sep	825	810	828
Dec	850	837	850 845
Turnove	ar. 2764 (5581) lots o	f 10 tonnes
ICCO In	idicator p	prices (SDR	is per tonne). Daily 43) :10 day average
for Sep	11941.04	120.07 (827. (941.85)	wat : to day average
	E – Lone		£/tonne
	Close	Previous	High/Low
	800	805	
Sep Nov	822	822	807 800 832 819
Jan	826	826	833 625
Mar	845	838	849 838
May	867	857	867 660
Jul Sep	887 910	883 910	885 907 900
		1903) fots o	ants per pound) for
Sep 8 :	Comp. d	ally 72.70 (71-22). 15 day aver-
	87 (69.45)		
SUGAR	- Lond	on FOX	(\$ per tonne)
Raw	Close	Previous	High/Low
Oct	296.80	299.60	299.60 296.60
Dec	293.00	294.60	293.00
Mar	284.80	286.40	267.00 283.80
May Aug	279.60 275.80	281.00 276.00	281.40 279.00 275.00 275.00
Oct	269.00	269.00	269.00
White	Close	Previous	High/Low
Oct	415.00	418.50	417.00 415.00
Dec	385.00	389.00	388.00 387.00
Mar	361.00	363.00	362.50 360.50
May	357.80	359.80	359.00 358.00
Turnove	r. Raw	4806 (4190)	lots of 50 tennes.
White 17	732 (846).	nar tnan-1-	Oct 2790, Dec 2604,
			385, Oct 2385.
CRUDE	OIT - 11	PE	\$/barrel
	Close	Previo	as High/Low
Nov	17.73	17.52	17.75 17.57
Dec	17.65	17.39	17.80 17.45
IPE Inde	x 17.76	17.79	
Turnove	r. 4095 (7	499)	
	r. 4095 (7 L – 11PE	(499)	\$/tonna
		7499) Previous	\$/tonns High/Low
	L – IPE		
GAS OII	Close 166.25 166.00	Previous 165.00 162.75	High/Low 167.75 164.75 168.00 163.25
Oct Nov Dec	Close 166,25 166,00 164,00	Previous 165.00 162.75 162.50	High/Low 167.75 164.75 168.00 163.25 164.50 162.50
Oct Nov Dec Jári	Close 166.25 165.00 164.00 162.00	Previous 165.00 162.75 162.50 160.50	High/Low 167.75 164.75 168.00 163.25 164.50 162.50 162.50 160.75
Oct Nov Dec Jan Feb	Close 168.25 165.00 164.00 162.00 158.75	Previous 165.00 162.75 162.50 160.50 155.00	High/Low 167.75 164.75 168.00 163.25 164.50 162.50 162.50 160.75 156.00
Oct Nov Dec Jan Feb	Close 168.25 165.00 164.00 162.00 158.75	Previous 165.00 162.75 162.50 160.50	High/Low 167.75 164.75 168.00 163.25 164.50 162.50 162.50 160.75 156.00

Feb	158.75	156.00 4150leta el	156.00 f 100 tennes
IMIMITE	1 600 (4	TIOJIGA G	. 100 80-1100
	_		
include Brokes teas in selling description wide tende wide to 10p-11 comp the of prove at price Quotal force at price Quotal force force at price Quotal force force at price force force at price Quotal force fo	ling 1,800 irs Associate good g readily iptions ve d irregule ipread su spread su spread su spread su station at d doarer d doarer ittions: que	offshore, lation. Offs demand ward plaint end promise the series of the	ages on offer reports the Tea arings of Assam with quality sorts or liquoring ood mediums a sgain attracted often advanced by met good yea lest levels, in gledesh tees une a strong market dearer. (1959), medium 110p (100p).

over: 2764 (5581) lots of 10 tonnes	Lead (£ per tonne)
Indicator prices (SDRs per tonne). Delly	Cash 448-50 453.5-6.5
e for Sep 8 920.07 (927.43) :10 day average	3 months 443-4 446-7
Sep 11 941.04 (941.85)	Nickel (5 per tonne)
FEE - London FOX C/tonne	Cash 10500-50 11300-50
Close Previous High/Low	3 months 10350-400 11025-50
	Tip (S per tonne)
800 805 807 800 822 822 832 819	Cash 8600-20 8700-10
826 826 833 825	3 months 8540-60 8740-50
845 838 849 838	Zinc, Special High Grade (\$ per tonne
867 857 867 860	
887 883 885	Cesh 1577-82 1645-50 3 months 1582-5 1628-30
910 910 907 900	Zinc (\$ per tonne)
over: 3065 (4903) lots of 5 tonnes	
indicator prices (US cents per pound) for 8 : Comp. daily 72.70 (71.22), 15 day aver-	Cash 1540-60 1690-600 3 months 1530-5 1565-75
69.87 (69.45)	LME Closing E/S rate:
	990T: 1 EME 0
Close Previous High/Low	
295.80 299.60 299.60 296.60	POTATOES - SPE
293.00 294.60 293.00	Close Previous High/Lon
284.80 286.40 287.00 283.80 279.60 281.00 281.40 279.00	Nov 140.0 139.0 140.0 13
275.80 276.00 276.00 275.00	Feb 170.0 162.0
269.00 269.00 269.00	Apr 219.5 214.5 219.5 21: May 245.0 239.0 242.8
e Close Previous High/Low	
	Turnover 405 (178) tota of 40 tonnes.
415.00 418.50 417.00 415.00 385.00 389.00 388.00 387.00	
361.00 363.00 362.50 360.60	Soyabean Meal — Spe
357.80 359.80 359.00 358.00	Close Previous High/Lov
over: Raw 4806 (4190)lots of 50 tennes.	Oct 148.50 144.00 145.00 14
e 1732 (846).	Dec 148.00 145.00 145.00 Feb 151.00 149.00 148.00
s- White (FFr per tonne): Oct 2790, Dec 2604,	
2444. May 2424, Aug 2385, Oct 2385.	Turnover 15 (100)lots of 20 tonnes.
DE OIL - IPE S/barrel	
	FREIGHT FUTURES - SFE \$10/1
Close Previous High/Low	Close Previous High/Lov
17.73 17.52 17.75 17.57	Sep 1469 1462 1465 146
17.65 17.89 17.60 17.46 Index 17.76 17.79	Oct 1546 1541 1548 154 Jan 1592 1591 1595 159
	Apr 1823 1823 1821 181
over: 4095 (7499)	BFI 1441 1437
OIL - IPE \$/tonns	Turnover 83 (81)
Close Previous High/Low	· ·
166,25 165,00 167,75 164,75	Grains — efe
165.00 162.75 166.00 163.25	Wheat Close Previous High/Los
164.00 162.50 164.50 162.50	
162.00 160.50 162.50 160.75	Sep 104.50 104.40 104.60 Nov 107.20 107.65 107.65 10
156.75 156.00 156.00	Jan 117.20 111.60 111.20
over 5027 (9415)lots of 100 tonnes	Mar 114.00 114.50 114.50 11
2101 6161 (2110)1010 01 100 1011100	May 116.90 117.30 117.20 11
	Jun 118.35 118.70
	Barley Close Previous High/Low
A	Sep 101.25 101.15 101.25
ere were 20,825 packages on offer	Nov 104.25 104.90 104.70 10 Jan 108.35 108.70 108.80 10
luding 1,800 allahore, reports the Tea	Jan 108.35 108.70 108.80 10 Mar 111.40 111.70 111.70 11
okers Association. Offerings of Assem	Mar 111.40 111.70 111.70 11

onth	8 8540-	60	8740-50	8700/8660	8650-700	85	20-40		5,439	lots
., Sp	ecial Hig	h Grade (\$ per tonne)				Ring t	UITION	r 16,9	75 tonne
h onth	1577- s 1582-		1645-50 1628-30	1580 1615/1575	1575-80 1574-6		5-95		12.622	
(S p	er tonne)						n moi		00 tonne
h,	1540-		1690-600		1545-60					
onth			1565-75	1540/1530	1545-50 1530-2	15	35-45		5,800 !	lotes
T: 1.	elog E/S 5435		months: 1.525	51	6 months:	1.5057		9	month	e: 1.4898
ATC	<u> </u>			E/tonne	LONDON IN					
	140.0	Previou 139.0	3 High/Low 140.0 139.5		Gold (fine az)				equive	
	170.0	162.0	140.0 139.5	1	Close	35812-2		23	24-28	24
	219.5 245.0	214.5	219.5 217.0	1	Opening Morning fix	357 ¹ 2-8 358.1	08	23	21 ₂ -23 2.382	3 .
		239.0	242.8		Afternoon fix	358.35	_		2.393	
LOYE	405 (17	e) ioze ot	40 tonnes.		Day's high Day's low	359-359 357 ¹ 2-3	<u>₽</u>			
/ASI	AN ME	AL - SF	<u> </u>	£/tonna						
	Close	Previous			Coles	\$ price			egulva	
	148.50	144.00	145.00 143	00	Mapleleat	367-372		23	712-24	0,5
	148.00	145.00	145.00		Britannia US Eagle	367-372 367-372			71 <u>2</u> -24 71 <u>2-2</u> 4	
	151.00	149.00	148.00		Angei	36812-3	7312	23	812-24	14
OVE	19 (100	plots of 20	tonnes.		Krugerrand New Sov.	357-360 84 ¹ 4-85	ļ.		1-233	_
wi	7 81510	155 - B	2100-4		Old Sev.	844-85	Į		7-65 f	
	Clase	Previous		ax point	Noble Plat	477,55	185.15		9 5 314	
_	1469	1462	1485 1485		Silver fix	p/fine c		115	cts e	ante
	1546	1541	1548 1540		Boot	328.80		_	7.00	
	1592 1623	1591 1623	1595 1590 1621 1618		3 months	340.10			6.15	
	1441	1437	100		5 months	351.60			9.55	
OVE	83 (81)				12 months	373.85		- 56	2.25	
INS	- BFE			2/tonne	TRADED CFT					
<u> </u>	Close	Previous		TANAIS	Aluminium (9	3.7%)	Call	8	P	ute
_	104.50	104.40	High/Low 104.50		Strike price \$	tonne N	lov ,	Jan_	Nov	Jèn
	107.20	107.65	107.65 107.2	20	1600			102	12	36
	111.20 114.00	111.60 114.50	111.20	_	1700 1600			51 22	48	82
	116.90	117.30	114,50 114,0 117,20 116,6	579					116	150
	118.35	118.70		_	Copper (Grad		Call	5	P	uts
					2850 2750			164	56	125
7_	Close	Previous	High/Low		2750 2860	8		20 15	96 149	178 260
	101.25	101.15	101.25					~		
	104.25 108.35	104.60 108.70	104.70 104.2 108.80 108.3	25 25	Coffee	N	lov ,	len .	Nov	Jen
	111,40	111.70	111.70 111.4	φ̃	750	8	8	_	18	
over	: Wheat	159 (214).	Barley 134 (8		800	5		36	33	58
CVGI	lots of 1	IOC tonne	9 .		850	2		33	599	85
					Cocoa	D	ec I	Mar	Dec	Mar
i –			Cash Settleme		750	8		0	12	42
	Close	Previous	High/Low		800 658	5 2		5	28	67
	127.8	126.5	126.5	_	~~	2		3	55	101
	129.5 118.5	128.0 117.8	128.3 118.0		Brent Crude	N	ov ()ec	Nov	Dec
	117,5	116,9	117.5	•	1700	9	_	-	20	41
	115.0	114,3	114.5		1750	ŝ	-	7	20 36	41 62
CHARGE	44 /2005	144 -4 6	ara I	-	4000	~				_

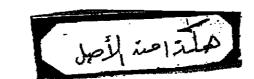
US MARKETS (Prices supplied by Amalgameted Metal Trading) Trading remained quiet in the metals as large volume traders awaited the veek, reports Drexel Burnham

Lambert. Copper futures were active as fund buying pushed prices through resistance levels. In the softs, cocoa restatance levels. In the sorts, cocoa gained slightly as stop orders railled prices early, sugar drifted fower in mostly local dealings. Coffee was down 110 points basis Decamber, but in light volume. The livestocks began the week mixed as consolidation took place after last week's active sess les edged higher in light trading while live hogs and cattle were down reflecting weaker cash prices. The grains markets and cotton were quiet, two-sided attairs as many await Tuesday's crop report. The energy complex featured choppy activity begin the week. Crude oil had mi trading throughout the day. Gasoline nued to be firm as seasonal demand remains supportive. Heating oil was down reflecting the unwinding

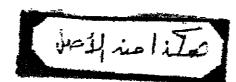
Ne	w Y	ork		-			
GOLD 100 troy oz.; S/troy oz.							
	Cioee	Previous	High/Low				
Sep	359.2	369.4	0	0			
Oct	380.9	361,3	361.7	360.0			
Nov	362.6	363.2	<u> </u>	<u>.</u>			
Dec	364.6	365.0	365.7 369.4	363.6			
Feb	368.5 372.5	368.9 373.0	378.2	367.6 373.0			
Apr Jun	376.8	377.2	377.B	376.8			
Aug DuA	380.8	·· 381.2	320.5	380.5			
Oct	385.1	385.4	C C	0 .			
		roy oz; \$/tro		_			
	Close	Previous	High/Low				
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		<u> </u>			
Oct	474.5	475.3	475.8	472.0			
Nov	475.5	476.4	0	<u> </u>			
Jan	478.5	479.5	480.5	478.0			
Apr	481.5	482.1 484.6	483.0	483.0			
Jui Oct	484.0 487.5	484.6 488.1	489.O	489.0			
				A			
28FAE		oy az; cent					
	Close	Previous	High/Low	<u></u>			
Sep _	505.1.	505.3	506.5	505.0			
Oct	506.0	506.2	0	9			
Nov	512.4	512.6	0	Ö			
Dec	516.3	516.5	5165 .	516.0			
Jen	519.5	519.7	0	<u>.</u>			
Mer	528.0	528.3	530.0	527.0			
May	535.9	536.3	538.5	536.0			
		544.6	545.0	544.5			
			SS4.5	554.5			
Jul Sep Oec	552.4 564.2	553.1 555.0	566.0	585.0			

HOICE	15			
REUTE	R\$ (Base	: Septem	ber 18 193	1 = 100
	Sept 8	Sept 7	mnth ag	0 yr s go
	1914.9	1902.1	1892,0	1874.1
DOM 1	7MES (B	154: Dec.	31 1974 -	100)
Spot	129.45	129.37	·128.00	133.78
Futures	130.62	130.86	129.23	136.80

	Close.	Previous	High/Low	, -		΄, Τ			•
Sep	130.30	127.20	130.80	124.70	<u> </u>				
Oct	128.70	125.60	. 0	0	SOY	BEANS 5,	occ bu min;	cents/60lb l	oushei
Nov Dec	· 127.10 125.60	124.10 122.60	0 125.70	0 119.00		Close	Previous	High/Lov	
			- 123.70	4 18700	Sep	607/0			
					Nov	591/0	607/4 594/4	611/D 588/0	603/0 580/0
CHUU	s car (m)	MQ 42,000	US gells \$/I	berrel	Jan	600/2	603/4	008/0	589/4
. / 4 .	"Latest	Previous	: High/Low	<u> </u>	Mar	811/8	613/6	618/4	611/0
Oct	19.78	19.75	19.92	19.82	May	619/0_ 622/6	621/6 ·	626/0 626/4	618/4 622/4
Nov	19.43	10.41	19.56	19.28	: Aug	613/0	614/0	0	0
Dec-	19.20	19.22 18.90	19.36 19.07	19.13 18.94	Sep	592/0	592/0	596/O .	502/0 .
Mar	18.77	18.76	18.50	18.74	SOYA	BEAN OIL	60,000 lbs;	cents/lb	
Apr	18.67	18.66	18.74	18.66	٠.	Close	Previous	High/Low	
May .	18.58	18.61	18.65	18.55	Sep	18.93	19.06		
WAT	W2 05 A	2000 (00 -			Oct	19.01	19.19	19.28 19.40	18.83 18.97
THE STATE OF			alie, cents/l		-Dec	19.49	19.66	19.74	19,41
	Latest	Previous	High/Low	· ·	Jen Mar	19.72 20.06	19.90 20.28	19.94 20.30	19.68
Oct .	`5805	5674	5690	5605	May	20.40	20.55	20.70	20.08 20.40
Nov '	5645 5845	6710 5685	5706 5685	5835 -	Jul	·-20.75	20.91	20.90	20.75
Feb	5830	5578	5580	5645 5530	Aug	20.62	20.91	20.60	20.66
Mer	5375	5368	8375	5340	SOYA	BEAN ME	NL. 100 tons;	\$/ton	
May	5060 4920	5045 4968	5060 4920	5810 .4920	: -	· Close	Previous	High/Low	,
أدا	4970 ·	4948	4970	4970	Sep	204.9	202.8	205.1	202.5
	<u>, , .</u>		•		Oct	193.2	191.2	194.2	190.7
COCC	IA 10 tonn				Dec Jen	189.7 189.0	188.4	191,2	187.8
	Close	Previous	High/Low		Mar	188.3	168.2 187.7	196.6 190.0	187.8 187.0
Sep	1000	1072	1090	1090	May	186.7	- 187.5	188.5	188.5
Dec :	1101	1001	1118	1005	Aug Aug	186.0 184.0	186.0	187,6	186.5
Mar May	1094 1106	1080 1083	1104	1091			184.0	184.0	184.0
Sep	1145	1133	1118 1150	1103			min; cente/5	Sib bushel	
Joi	1125		1120	1120	<u> </u>	Close	Previous	High/Law	· · · · · · · · · · · · · · · · · · ·
Dec	1180	1160	1180	1180	Sep	238/4	230/4	240/4	238/0
	BE bee er	,500@bs; ce			Dec Mar	238/2 245/8	239/2 . 246/4	240/0	238/0
				<u> </u>	May	251/2	251/0	247/2 252/4	245/0 250/4
	Close	Previous	High/Low		· Jul	253/0	263/0	254/6	252/4
Sep De¢	88.08	88.25	88.25	86.60	Sep Dec	245/0 239/4	244/4 240/0	245/4 .	245/0 .
Mer	. 86.65 69.00	87.76 89.80	86.20 : · · · 90.20 : · ·	86.50 88.65				242/0	239/4
May	91.38	91.90	92.20 '	91.00	-		min; centur	SOID-bushel	
Juli Sep	93.25 95.25	93.86 95.63	94.00	92.75		Close	Previous	_ High/Low	
Dec	98.00	99.13	96.00	0 <u>.</u> 98.00-	Sep Dec	393/D 404/2	305/4	396/6	-302/4 .
		<u> </u>			. Mar	406/6	404/8 406/2	405/8 · :	404/0 405/8
SUGA	R WORLD	"11".112,0	00 lbs; cen	a/lbs	May.	391/2	391/6	392/4	390/8
	Close	Previous	High/Low	- -	Jul Sep	360/2 366/4	360/0	361/0	350/4
ᅋ	18,43	18.58 .	13.58	13.45			366/0	367/4	300/4
Jan	12.65	12.85	D	0			000 lbs; cen	As/ibs	••
Mar May	12.75 12.56	12.84 12.63	12.92 12.69	12.79.	: <u> </u>	Close	Previous	High/Low	
رسب اندار	12.37	12.43	12.47	1251 1252	Sep	58,80	56. <u>80</u>	0	68.10
Oct	12.09	12.17	12.05	12.05	Oct Dec	71.67 73.15	. 71.87 .72.82	72.20	-71,55
	<u> </u>	<u> </u>		17-14 C	Feb	72.67	72.42	73.37 72.85	72.82 72.25
COTT	XVI 50,000;	COUNTY TOP		. 	Apr	73.87	.73.62	73.90	73.40
	Close	Previous	High/Low		Jun Aug	71.55 70.00	71.57 70.02	71.80	71.50
Oct	72.25	72.40	72.70	72.05			70.02 0 lb; cents/l	70.20	70,00
Dec	73.27	73.311	73.76	73.02			n no! céurie/[
Mar May	74.25 × 75.05	74,40 75.38	74.70	74.10		Close	Previous-	High/Low	7
Jul	75.50	75.60	75.60 75.80	75.00 75.30	Oct	38.75	39.17	30.20	36.65
<u>Oct</u>	69.70	69.70	69.70	60.35	Deg Feb	40.80 42.80	41.17	41.30	40.55
Dec	67.90	67.32	67.35	67.16	-Apr	40,52	42.85 40.70	42.80	42.35
		1. 2.	<u> </u>	•	Jun	45.55	45.40	40.65 45.65	49.25 45.20
ORAN	DE JUICE	15,000 lba;	centa/lbs		Jul Avo	46.20	.45.85.	46.20	45.85
	Close	Previous	High/Low		Aug . Oct	44.77 41.90	44.70	44.95	44.60
Sep	158,60	158.65	158.90	158,00			41.66	42.00	41,55
Nov	142.90	142.65	143.06	142.00			0,000 ltm; 64	mts/lb	
Jan Mar	139.60	139.30	140.00	138 25		Close	Previous	High/Low	
May	138.06 138.50	138.90 ~ 136.70	T39.00 138.00	138,00	Feb	48,17	45.90	46.37	45.65
Jul	137.95		139.00	136.00	Mar	46,30	46.20	46.47	45.95
Зер	137.75	138.20	0	0.1	Jul	47,65 47,85	47.10 47.44	47.65	46.90
Nov	142.90	138.00	0	0)	Aug		47.66 47.10	47.80 47.30	47.56
				į				47.30	47.05
				:					-



Volette Clasing Day's 600's Prez classe



LONDON STOCK EXCHANGE

Equities give ground in nervous trade

The final reading on the FT-SE index showed a loss of

23.3 at 2,400.6, bringing the psy-chologically sensitive 2,400

THE CLIMATE turned chillier in the London equity market yesterday as investors took a more critical view of last week's equity performance on both sides of the Atlantic. Equities were significantly quieter than on Friday but share prices proved vulnerable to disappointing developments on both the takeover and corpo-rate reporting fronts. ment on certain overseas con-

The principal blow to market tracts at ISC Technologies, a confidence came when Ferranti, the UK electronics defence group, first asked for a suspension of trading in its shares, and then disclosed that today's annual meeting of shareholders has been cancelled pending a further state-

		<u> </u>
Accoun	ri Dealing	Dates
Tirat Declings: Sep 4	Sep 18	Oct 2
Option Declarat	iones Sep 26	Oct 12
Leet Dustings: Sep 15	8ep 29	Oct 13
Account Days Sep 25	Oct 9	Oct 23 .
*Now time deal	ngo may toka	place from

Ferranti subsidiary. Leading shares, on the slide from mid-morning when the FT-SE future contract came under pressure, extended their losses following Ferranti's sec-

ond statement and, with Wall

Street falling in early deals,

mark into hazard again for the second time within a week, The day's trading was further unsettled by two fallures of the Stock Exchange price reporting system. The first came before 8.00am and lasted for 40 minutes, while the second break came at the close of the market and lasted only a few

inflation is overcome.
On the bid front, the market is braced for a decision from While there was no great the UK Takeover Panel, which meets tomorrow, on the request from the Hoylake conselling pressure yesterday -Seaq volume fell to 464m shares from Friday's 791.3m sortium that its bid for BAT

London closed at the day's lowest level.

The final reading on the depressed by a range of economic and corporate factors.

an early resolution of this pending US regulatory rulings; an early resolution of this major bid situation is seen as unlikely. A £120m offer for United Scientific Holdings came from Meggitt, but the market was then slightly disappointed to here that Pembridge results season now under way. Mrs Thatcher repeated, in a speech in the North of may bid for DRG, the paper products company, below the market price.

"There was no desperate rush to sell stock yesterday," commented Mr Bill Smith, equity strategist at Pruden-tial-Bache. "But, in the wake of Wall Street's first down week re-examining gains in the Lon-don market." for nine weeks, investors were

	F	INAN	CIAL	TIME	S STO	CK	INDI	CES			
	Sep 11	Sea	Sep	Sep	Sep	Year Ago	Hūgh	980	Since C		lation Low
	:	<u>-</u> -						Lów			
Government Secs	86.08	86.08	86.14	86.02	86,26	86.67	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)		49.18 V 1/75) _
Fixed interest	96.70	36.91	96.87	97.07	97.18	95.34	99.59	95.21	105.4		50.53
							(15/3)	(13/6)	(28/11/47		V1/75)_
Ordinary Share	1981.6	2003.7	1999.1	1976.7	2008.6	1401.7	2006.6 (5/9)	1447.8	2008.6		49.4 8/6/40)
								(3/1)	(5/9/69)		
Gold Mines	205.3	204.9	203.6	201.2	200.6	176.6	205.0	154.7	734.7		43.5
							(7/7)	(17/2)	(15/2/83	, ,	/10/71)
FT-SE 100 Share	2400.6	2423.9	2415.9	2390.8	2426.0	1744.6	2426 0 (5/9)	1782.6 (3/1)	2443 4 (16/7/87)		366.9 3/7/84)
Ord. Div. Yield	4.02	3.95*	3.96*	4.00°	3.93	4.88	Bāsıs	100 Govt Se	ca 15/10/26,	Fixed	Int. 1928
Earning Yld %(full)	9.58	9.48	9.47	9.56	9.41	12.30		ry 1 <i>771</i> 35. G			. Basis 10
P/E Ratio(Net)(☆)	12.48	12.73	12.74	12.62	12.81	9.87	FT-SE	100 31/12/63	☆ NJJ 12.35	<u>. </u>	
SEAO Bargains(5pm)	27,152	29.991	25,698	27,858	28,135	14,878	9	E. ACT	VITY		
Equity Turnover(Cm)†	-	1269.00	1001.85	1030.76	827,35	588.47	Indi			Sep 8	Sep 7
Equity Bargainst	-	31,064	25,540	30,118	28,270	15,444	Cili	Edead On		82.2	80.4
Shares Traded (ml)†	-	515.1	406.5	426.6	353.1	210.9	F	Edged Bar itv Bargair		N/A	N/A
Ordinary Share Index,	Hourly ct	nanges (Day's Higi	h 2005.7	Day's	Low 198°		ity bargair ity Value		N/A	N/A
Open 10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.r		Day averag			141
2003.7 2003.8	1989.2	1993.1	1993.9	1993.8	1990.5	1983		Edged Ba		BO.D	80.8
البنيسا لينيا			لتتت			سسا ر	Ear	Ity Bargeir		N/A	N/A
FT-SE, Hourly change	8	(Day's Higi	1 2425.3	Day's	Low 2400		Ity Value		N/A	N/A
Open 10 a.m. 2425,3 2414.3	11 a.m. 2409.6	12 p.m. 2414.2	1 p.m. 2415.2	2 p.m. 2416.0	3 p.m. 2410.9	4 p.r 2402	71. h	Activity 1974. ness & O'se			

TRADING VOLUME IN MAJOR STOCKS

Ferranti suspension disturbs

News of the suspension of trading in shares in UK defence electronics manufacturer Ferranti came only three days after the takeover of Plessey, one of the UK's most prominent defence and electronics groups. Ferranti's suspension also came one day before the group's now-post-

poned annual meeting. Dealings in Ferranti shares, poor performers against the electronics sector and the market over the past year or so after disappointing results and a profits warning, were suspended prior to the opening of the market yesterday. Last Friday Ferranti shares closed at 73%p, compared with a 1989 low point of 69%p.

Ferranti said a review of its accounts was underway "with regard to certain overseas contracts entered into by ISC Technologies." The market was immediately awash with various rumours. These included stories about a European group taking a stake in Ferranti, a capital restructuring, or the putting up for sale of various parts of the US interests. However, the favoured suggestion was that the problems involve a missed payment on a significant overseas defence equip-ment contract that could, according to market specialists, lead to a writedown of some £20m for Ferranti.

Worse still, said analysts, it could lead to intense pressure from institutions for management changes. "Institutions are now totally distillusioned with the Ferranti board — the game is only just beginning," with the Ferranti board — the a reorganisation of the group's game is only just beginning," exploration and production said one leading watcher of the division and the disposal of street. stock.

្តិកាន់ក្នុងខ្លួ

revealed within a week and the annual meeting reconvened in a month. "The shares will probably be requoted within a week but at nearer 60p than 65p," said one observer.

DRG setback

Dealers marked down DRG shares in the wake of the announcement from Pembridge that it wanted to bid for the company at below the market price. The shares had initially risen in anticipation of a bid, then fallen sharply before hit-

ting a low of around 583p.

The shares eventually closed at 590p, down 14 on the day, reflecting fears that Pembridge had not finalised its financing. Marketmakers were soon forecasting a sighting bid in the 575p to 600p range, while ana-lysts said that a final offer of

required to pull on the acquired too.

Mr Stephen Weller, analyst at Kleinwort Benson, conducted an asset valuation on DRG and said the company was worth 750p share. He said that Pembridge's intention was to break up the company for sale, warning, however, that sale, warning, however, that DRG's management would put up a strong defence, even to the extent of seeking a white knight – perhaps a Scandina-vian or North American paper company wishing to diversify vertically.

A more cantious view was expressed by Mr Colin Tennant of Hoare Govett. He valued the

main casualty in composites, dropping 18 to 465p after some determined selling, possibly from the Adsteam stable.

There were few firm stocks in an oil and gas sectorsuffer-ing a reaction from the general decline in equity markets and the recent strong showing by energy issues. Turnover in oils, traditionally among the biggest in the market, was well below normal levels for the sector. BP slipped 2 to 317p ahead of news expected on Thursday of some \$1bn-worth of assets. A Talk in the market suggested meeting of oil sector analysts that the writedown would be with an address by Mr John with an address by Mr John Browne, a BP director, is scheduled for this coming Fri-

the best part of 650p would be required to pull off the acquisi-

company at 650p a share, excluding property. That last item should be more easily valued after the company's interim figures tomorrow. He added that a hid was unlikely ahead of the figures.
Insurances suffered from widespread profit-taking.

Legal & General, reporting interims on Wednesday - Citi-corp Scrimgeour Vickers expects pre-tax profits of £58m against £61.5m and an interim of 5.3p against 4.5p, lost 5 to 369p. Prudential, also reporting interims on Wednesday — Citi-corp goes for profits of £176m and an interim of 8.2p against 2.17p — dipped 3 to 212p.

Royal Insurance was the

Shell gave up 3½ to 450p in front of Thursday's interim dividend announcement — Hoare Govett is going for 7.8p against a comparable figure of

LASMO, excited last week by market talk of a huge gas dis-covery in the Sind Province of Pakistan, in the Tajial conces-sion, eased 2 to 539p on turnover of 841,000 after an official

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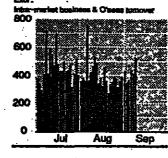
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FT-A All-Share Index 1200

moments

1150

Equity Shares Traded Tumover by volume (million)



drilling report indicated a flow of 28m cubic feet of gas a day. Both BZW and Nikko Securities spotted that Smith and Nephew had fallen to a five year relative low and recommended buying the shares. Mr Steve Plag of BZW believes that the current price "over-discounts the trading problems the company has encoun-tered." S&N closed up 2 at

140%p. News that a SmithKline Beecham hepatitis-B drug had received approval from the US Food and Drug Administration did the shares no harm. Com-bined with US buying, the shares resisted the downward impetus of the wider market to closed 2 better on the day at 608p. The equity units, which are traded more heavily in New York, jumped 67 to 2788p. Amersham International continued to weaken as the health and household team at Hoare Govett cut its forecast for profits for the current year from £22.3m to £20.5m. Ms Julie Tulloch at Hoare blamed

the cut in forecast on the June moratorium on sales in Japan imposed by the Japanese Gov-ernment. She said it would be more difficult for the company to regain market share than it had thought. Hoare is the latest in a line of brokers to visit Amersham, shares of which ended 16 down at 442p. Grand Metropolitan took a

knock in the wake of adverse comment in the weekend press

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and from some City analysts, the shares dropping 15 to 619p on turnover of 2.5m. The message from both quarters was roughly the same; Grand Met has been concentrating too much on deal making and not enough on its fundamental business. This criticism comes a week after the group announced it was selling the William Hill and Mecca betting shops to Brent Walker for £685m, this just nine months after William Hill was bought

from Sears for £331m. Hoare Govett is one broking house which has publicly expressed concern about Grand et's voracious appetite for deal-making. "We are not arguing that management should pass up a major chance to enhance shareholder value by way of an opportunistic dis-posal," says Hoare in reference to the betting shops sale, "rather that the cost of doing so confuses the investor and prolongs the period of uncer-tainty about the effectiveness of group strategy."

Monthly data on domestic

retail sales and producer prices

was regarded as confirmation

that the economy is slowing; this in turn confirmed market

nervousness over the corporate

England, that domestic interest

rates would stay high until

Among mostly weaker stores Kingfisher stood out, the shares closing steady at 338p on turnover of 1.5m. Dealers said that there was some support for the stock ahead of today's half-year earnings figures. The range of market estimates is roughly £51m to £56m, compared with £43.2m at the same stage last year.

Another retail group report-

ing interim figures this week is Ratners, and although there has been talk of better than hoped for August sales, particularly at the Salisbury chain of stores, the shares went with the market, closing 3 lower at 279p. Citicorp Scrimgeour Vickers, the securities house, forecasts that profits at the half way stage will be £10.5m, but point out that this period tradi-tionally accounts for only 5 to 10 per cent of annual profits, such is the significance of the Christmas trading period. The Meggitt bid for United

Scientific Holdings (USH) 184p at one point before they slipped back to close a net 29 higher at 175p. The identity of the bidder, but not the actual hid, came as a surprise to a market that has been looking for a predator for USH for some considerable time. Meggitt had built a 3 per cent stake in USH prior to the announcement. Meggitt is offering a share swap with a partial cash

alternative. Traders said the Meggitt Traders said the Meggitt offer could well flush out a counter bidder, with glass manufacturer Pilkington said to be one of the potentials, along with GKN.

News of a potential move for National Telecom, which announced it was in talks with a possible bidder, saw Nat Telecom stock advance 14 to

Telecom stock advance 14 to 98p, 105p. Oxford Instruments were

among the weakest performers in the electronics arena with the shares down 11 at 269p after news that it is paying Carlton Communications £57.5m for Link Scientific. George Scholes, after comment in the weekend press, dropped 20 to 192p. Cable & Wireless were 5 off at 606p on turnover of 1.1m shares with the US roadshows said to have little impact on sentiment in the shares ahead of the forthcom-

ing ADS listing.
Amstrad made progress after a weekend report suggested the group will announce today a new fax machine, costing less than £600.

Delta disappointed with interim profits at the lower end of forecasts. The shares eased 7

News that Suter had sold all its 13 km shares in Johnson & Firth Brown boosted the former and weakened the latter. Dealers speculated over the destination of the stake, but a suggestion that it might have been placed with a single party did not prevent J&FB easing 2 to 56p. Suter touched 205p before closing a net 2 better on the day at 202p.

British Aerospace benefited

from press comment ahead of interims tomorrow. The shares held on to gains of up to 9 until the last hour of trade. They ended unchanged at 701p. Trading in United Biscuits

was nervous after a story in a US newspaper suggested that UB may have to pay out around \$40m as part of an \$120m out-of-court settlement with US group Procter & Gamble. UB, via its American sub-sidiary Keebler, is being sued along with two US biscuit producers by P&G in a dispute The following is based on trading volume for most Alpha securities dealt, through the SEAQ system yesterday until 5 pm. Recal
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involving the patent for a brand of P&G's "crispy-chewy cookies." It is now believed that talks likely to lead to a settlement have been taking place, and UB is expected to make an announcement regarding the matter tomor-row, when the group also reveals its half-year earnings. UB closed down 4 at 397p.

Ocean Transport fell quickly on new that a stake held by Mr Ron Brierley, the New Zealand entrepreneur, had been placed with institutions, all but eliminating the chances of a bid in the short term. The shares ended 28 off at 349p. One dealer, looking for a silver lining, spoke of a reduction in uncertainty surrounding Ocean Transport and Trading and said continental buyers had sought the stock. The company reveals interim figures on Wednesday.

Half-year profits £1m above the highest of analysts' fore-casts from British Vita pushed the price 22 better to 311p. BZW moved quickly to upgrade its forecast for the full year figure, from £44.3m to £47m. Next year's figure is raised by a little less, from £49.8m to

The chemicals team of Mr Martin Evans and Mr Oliver Fear at BZW pointed out that the results ended a brief run of disappointing chemical sector news from Cookson, Croda and Evode. They warned, nowever, that although the shares were on an 8 per cent premium, there was "little scope for the premium to increase and the

shares might consolidate or drift back from this level. Aggressive funds should top slice with a view to buying buy at a lower level," they said.

Polly Peck gave up some of
the gains earned last week fol-

lowing the acquisition of the tropical foods business of Del Monte. Investors realised profits and the price dropped back 25 to 388p as 2.5m shares went through Seaq. Further uncertainty sur-

rounding the bid from Hoylake and the wider market weakness left BAT Industries down 10 at 403p, and Rothmans, moving in sympathy, 11 lighter

■ Other market statistics. including FT-Actuaries Share Index and London Traded Options, Page 27

£44.1m

+20.4%* 11.7p*

+65.0%* 4.0p

TOZER KEMSLEY & **MILLBOURN**

(HOLDINGS) plc

DIVIDEND

SUMMARY OF 30 June 30 June Percentage INTERIM RESULTS 1988 Change Year 1988 SALES £984.5m £516.2m £475.2m +8.6% PRE-TAX PROFITS £21.2m £17.8m +19.0%

5.9p

1.5p

"Adjusted to take account at one for ten bonus issue in May 1989.

"The first half of 1989 has produced a continuation of the Company's excellent growth." - Sir Ron Brierley (Chairman).

4.9p*

1.0p

Alfa Romeo (UK)

EARNINGS PER SHARE

Daihatsu (UK and Eire)

Maranello Concessionaires (Ferrari)

Mazda (UK and France)

Subaru (Australia)

Cooper Group

Wadham Kenning Motor Group

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H.A. Fox

Kennings

Kenning Leaseline

Kenning Car and Van Rental

Kenning Tyre Services

Property and leisure developments

A copy of the TKM Interim Results may be obtained from The Company Secretary, Tozer Kemsley & Millbourn (Holdings) plc. 1 Lygon Place, Ebury Street, London SW1W 01R, Telephone (01) 730 0288

APPOINTMENTS

NEW HIGHS AND LOWS FOR 1989

Hozelock names operations director

HOZELOCK, leading UK manufacturer of garden watering systems and pressure sprayers, announced three board appointments, including a new mannfacturing supremo to improve efficiency and co-ordination between its production units.

He is Mr Peter Richardson, 46, who has been given the title of operations director. He has spent the last 13 years at Linpac Mouldings, latterly as factory manager, Mr Peter Fewell, 51, becomes

technical director, responsible for design, development and quality control. Previously: manufacturing manager, he has been with the company since its foundation over 30 years ago.
—Mr Don Potter, 39, formerly

financial controller, moves to the post of financial director. . .

■ Becoming executive directors of the TATE & LYLE group are Mr Murray McEwen, managing director of Tate & Lyle's North American sugar interests, and Mr Larry Cunningham, president and chief executive of Staley, Tate & Lyle's US cereal sweeteners and starches company. Mr L.R. Wilson, presently

executive director in charge of the group's North American interests, will become a non-executive director of Tate & Lyle in the UK on October 1 when he assumes the role of vice chairman at the Toronto-based Bank of Nova

■ Mr Stuart Roberts, 43, has been made a member of the BRYANT GROUP board. He joined the group in 1973 and is currently managing director of Bryant Construction Southern. He will be appointed

managing director of the Construction Division in November next year, succeeding Mr Ken Harvey on his retirement. ■ Mr Jonathan Sams, formerly a partner of Laurie Milbank

and later head of gilt
and later head of gilt
market-making at Chase
Manhattan Securities, will take
up a position of joint managing
director of ROWE & PITMAN
MONEY BROKING (a
subsidiary of S.G. Warburg)
on Outphon? Mr. Saus. 45 will on October 2. Mr Sams, 45, will become sole managing director on December 21 when Mr Peter Morley, the present managing director, retires.

PROPERTY DATA SERVICES has made Mr Jeremy Roest its managing director. He was managing director of Harvest Information

■ As a result of the impending retirement from CHURCH & CO of Mr J.B. Ashley at the end of the year after 40 years



iary announced the resignaiary announced the resigna-tion of Mr Michael Davis as chairman, and the nomination of Mr Ray Whitney (above), OBE, MP, as acting chairman. Mr Davis, who founded Windsor Television, a leading UK television cable operation, will remain on the Cable Corp board as a director representing the interests of Standard Life Assurance, one of its larg-est investors. Mr Davis intends to concentrate on new business opportunities, including plans for a new cable television venture.

service, the company has appointed to the board Mr Anthony Gledhill. It is proposed that Mr Gledhill will be responsible for the future development of the Church

Mr Gledbill retains his seat on the board of JOSEPH

CHEANEY, where Mr Martin Cromwell has succeeded him at the company and assumed full responsibility for its sales ■ At ALLIED-LYONS, Mr Timothy Dalton has been

promoted to group treasurer after holding the position of group deputy treasurer since Mr Dalton replaces Mr Vernon Cull, who becomes

financial adviser until his retirement next July. Mr Renald Bain has been promoted to director of UK

marketing at EDS (ELECTRONIC DATA

APTKEN.

Mr Christopher F.J. Tucker has been appointed director, investment research, electronics, at KITCAT &

Mr Uwe Lamann has been made managing director of SIEMENS COMMUNICATION SYSTEMS. He was responsible for Siemens' electronic components group in the UK.

chairman at HUNTING GATE HOMES from Mr John Redgrave, who will continue to serve on the board. Mr Don Paxton has joined the company as managing

Mr Ken Price takes over as

 BURGESS INDUSTRIAL ACOUSTICS has appointed director Ms Valeries Pears as managing director.

director. He was employed with Wimpey Homes.

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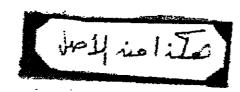
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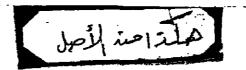
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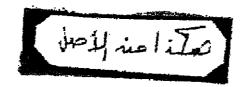
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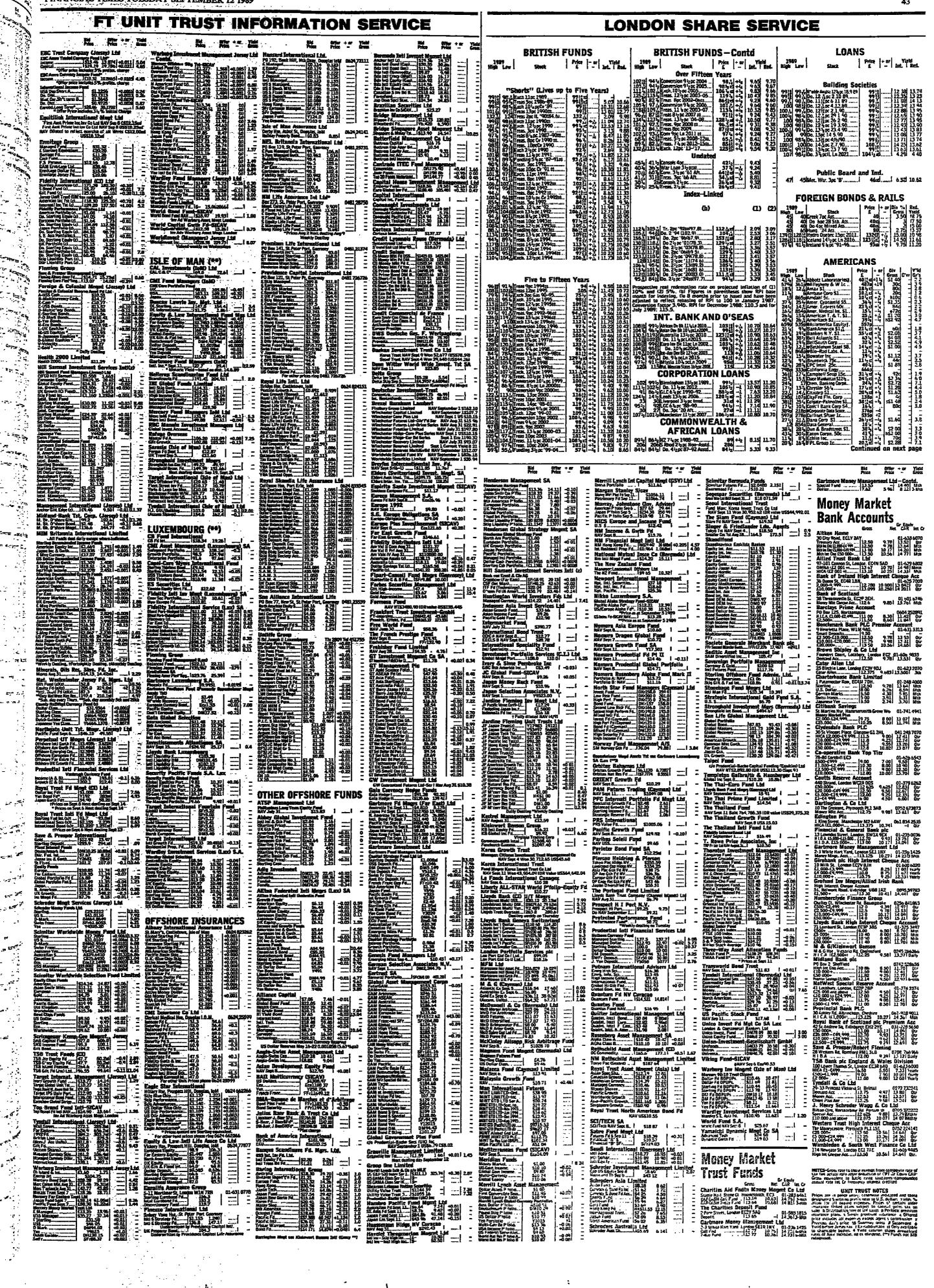


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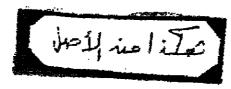
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls short of DM2.00

THE DOLLAR made an unsuccessful attack on DM2.00 yesterday, as the market lacked the incentive to push the currency beyond a point where it feared central banks would feel obliged to stem the advance. But at the London close the only central bank seen to have intervened was the Bank of Japan.

In early European trading the dollar hovered just below DM2.00, but after failing to attain a level above this point retreated below DM1.99, and closed at DM1.9870, against DM1.9860 previously.

In Tokyo resistance was seen at Y148.00, partly on profit taking, but also on intervention by the Bank of Japan, esti-mated at around \$300m. The dollar closed at Y147.75 in Tokyo, the highest level since June 15, but fell back to Y146.80 in London, compared

with Y146.25 on Friday.

Against the Swiss franc the dollar rose to SFr1.7150 from SFr1.7085 and in terms of the French franc to FFr6.825 from FFr6.6700. On Bank of England figures the dollar's index rose to 72.7 from 72.3.

Lack of fresh factors kept the dollar relatively steady and encouraged profit taking. The July US trade figures on Fri-day will form the focus of market attention this week. A defi-

e in New York			
Sep.11	Latest	Previous Close	
£ Spot	1.5420-1.5430 0 62-0 elpm 1.85-1.82pm 6.50-e 40pm	1.5375-1.5385 0.63-0.61pm 1.85-1.82mm 6.52-6.42pm	
Forward premising and discounts apply to the US dollar			

STERLING INDEX			
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CURRENCY RATES				
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CURRENCY MOVEMENTS				
Sep.11	Sank of England Index	Morgan ^{es} Guaranty Changes %		
Sterling U.S Dollar Canadian Dollar Austrian Schilling Belgian Franc Danish Krone Dentsche Mark Serts Franc Guilder Franc	90.9 72.7 104.9 105.5 103.0 112.1 106.5 109.8	-20.2 -5.3 +1.0 +9.4 -6.3 -1.8 +19.8 +15.8 +12.9		

Casadian Dollar	104.9	+1.0
Austrian Schilling	106.1	+9.4
Selgian Franc	105.5	-6.3
Danish Krone	103.0	-1.8
Deutsche Mark	112.1	+19.8
Swiss Franc	106.5	+15.8
Guilder	109.8	+12.9
French Franc	993	-15.4
Ura	994	-18.5
Yea	1364	+66.9
Morgae Gearants 1982 = 100. Bank of 1985 = 1007=Rates are	r changes: a England Index	verage 1980-

1985 = 1007*Rates are forSep.8 .			
OTHE	r Curre	NCIES	
<u> </u>			
Sep.11	£	S	
Argentina	1001.50 - 1009.70	650 00-655.00	
Australia	2.0220 - 2.0245	1.3115 - 1.3130	
Brazil	1.5960 - 4.6215	2,9830 - 2,9980	
Fluland	6 8935 - 6.9140	4.4800 - 4.4820	
Gretor	262.40 - 266.90	170.45 - 173.20	
Hang Kong	12,0265-12.0395		
Pag	116.30	73.20°	
Korea(Sth)	1025.35 - 1033 60	667 60 - 673.00	
Kewalt	0.46190 - D 46330 64 25 - 64.35	0.30100 - 0.30180 41.55 - 41.65	
Locembourg	4 1605 - 4 1715	27030-27050	
Malaysia	3956.00 - 3974.00	2568.00 - 2578.00	
Mexico	2.6200 - 2.6260	1 6990 - 1,7020	
N. Zealand Sandi Ar	5 7555 - 5.7590	3.7500 - 3.7510	
Singapore	3.0540 - 3.0595	1.9830 - 1.9850	
S. Af (Cm)	4.3480-4.3590	2.8220 - 2.8250	
S. Al (Fn)	6.0885 6.2120	3 9525 - 4.0325	
Taiwan		25.70 - 25.75	
	5.5355 - 5.5390	3 5720 - 3 5730	
U.A.E	5.5355 - 5.5390	5 <i>572</i> 0-3 <i>573</i> 0	

cit of around \$900	is expected
compared with \$8.2	bn in June
Foreign exchange	e trading i
likely to grow incre	asingly cau
tious ahead of this	s data, and
the market will also	be wary o
US producer prices	for Augus
on Friday and Au	igust retai
sales on Thursday.	
If the dollar rem	ains strone
aband of these fit	mires there

could also be nervousness that a metting of ministers from the Group of Seven on Thursday will produce new measures to stem the currency's rise.

Sterling reacted favourably to news on UK retail sales and producer prices. The pound lost ground to a strong dollar at the start of London trading, opening nearly 1 cent lower at \$1.5395, and slipping to a low of \$1.5365. It then recovered steadily however, underpinned by the economic news, to close 30 points lower on the day at

In terms of other major currencies sterling rose to

Y227.00 from Y226.50; to SFr2.6500 from SFr2.6450 and to FFr10.3425 from FFr10.3275. The pound's exchange rate index was unchanged throughout at 90.9, apart from a fall to

90.8 at the opening.
A rise in August UK retail sales was not unexpected fol-lowing the slight pick-up in sales growth according to the latest CBI/FT distributive trades survey - but the gain of 0.4 per cent was towards the lower end of expectations. lending support to the view that the economy has slowed. A fall of 0.3 per cent in August UK producer prices was rather more of a surprise. The market expected a rebound from the July fall of 0.9 per cent, to a rise of about 0.2 to 0.3 per cent. It was an encouraging figure, from the point of view of manufacturing profit margins, but gave fur ther weight to the arguemen that companies will be led determined to withstand hig

DM3.0700 from DM3.0650; to pay demands.					
EMS EUROPEAN CURRENCY UNIT RATES					
	Ecu certiral rates	Currency amounts against Eco Sep 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc Danish Krone German D-Mark French Franc Dutch Guilder Irish Punt Italian Lira Spanish Peseta	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58 133.804	43,4415 8,06652 2,07717 6,99759 2,34079 0,778250 1488 53 129,517	######################################	+112 +153 +055 +055 +058 +057 -055	±1.5424 ±1.6419 ±1.1019 ±1.3719 ±1.5019 ±1.6689 ±4.0815
Changes are for Ecu. the	refore positive d	range desotes a w	tak correscy		

Adjustment c	alculated by Financia	Bilmes.				
POU	ND SPOT-	FORWAR	D AGAIR	IST T	THE POU	ND
Sep. 11	Day's spread	Close	One month	% p.a.	Three months	P.A.
	11.14½ - 11.18½ 10.33 - 10.37 10.32 - 10.35 226½ - 227½ 21.59 - 21.68 264½ - 2.65½ 1.4745 - 1.4760	1.5450 - 1.5460 1.8330 - 1.8340 3.451 ₂ 3.461 ₂ 64.25 - 64.35 11.934 ₂ - 11.941 ₂ 1.1500 - 1.1510 3.061 ₂ 3.071 ₂ 25.15 - 257.15 191.40 - 191.70 22001 ₄ - 2201 ₄ 10.331 ₄ 10.341 ₄			1.86-1.82pm 0.78-0.65pm 55-5-1pm 88-81pm 12-1.24pm 12-2.92pm 11-2.242pm 12-2-42pm 13-2.75pm 11-2-11-1pm 41-4-4-2pm 41-4-4-2pm 14-1-1-4-2pm 14-1-4-2pm	4.54 2.10 7.82 6.36 6.13 3.92
DOLL	AR SPOT-	FORWAR	D AGAII	IST 1	THE DOL	LAR
Sep.11	Day's spread	Clase	One month	94.	Tiree months	% 22
UK†	41.55 - 41.80 7.71¼ - 7.76¾ 1.9855 - 2.0000	1.5450 - 1.5460 1.3410 - 1.3420 1.1870 - 1.1880 2.2375 - 2.2385 41.55 - 41.65 7.724 - 7.724 1.9865 - 1.9675 165.95 - 166.05	0.64-0.61cpm 0.11-0.06cpm 0.31-0.34cds 0.26-0.24cpm 2.50-1.00cpm 0.15-0.40cretis 0.30-0.28cfpm 53-63cds	485 076 334 134 050 175 438	1.86-1.82pm 0.42-0.32pm 0.94-0.99dls 0.74-0.70pm 6.00-3.50pm 0.95-1.35dls 0.79-0.75pm 195-220dls	4.76 1.11 -3.25 1.28 0.46 -0.59 1.54 4.99

Portugal	ands apply to th	e US dollar and	05 53- 00 2.80-3.5 1- 2.80-3.5 1- 1.00-1.25 1- 1.48-1.62 1- 1.48-1.62	63cdls -4.16 68cdls -6.06 blredis -2.66 bredis -2.65 12cdls -0.15 bredis -2.77 88ppn 3.17 gropm 1.84 17cpm 1.25 14cpm 0.51 nd freland are i	195-22 167-17 10 50-115 3.15-3.4 0.40-0.9 4.40-4.6 1.17-11 0.59-0.9 0.22-0.2	Odls -4.99 7dls -5.54 Odls -3.08 5dls -1.82 5dls -0.28 5dls -2.70 3gra 3.12 5gra 1.61 5gra 0.80 arrency, Forward
E	URO-CI	JRRENG	Y INT	EREŞT I	RATES	
Sep.11	Short Jerm	7 Days notice	Gne Morth	Three Months	Siz Mosths	One Year
Sterling	84-84 112-115 74-74 75-75 72-74	133-134 8(1-8(1 114-115 75-75 75-75 74-74 94-85	138-137 9-87 124-118 74-75 74-75 74-75	14-1312 815-813 12-1-1113 75-7-5 75-7-5 75-7-4 91-91	14-137 812-815 1112-1112 72-72 73-73 74-73 91-91	134-135 86-86 116-112 74-74 74-73 74-73 91-94

Fr. (Fin) Fr. (Can.) en Krone stan SSing		81-81 84-74 54-54 91-81	8859	9-81 2-81 2-52 1-52 1-81 1-81	81-81 81-81 51-51 91-91 9-87	88	834 844 1-55 1-94	813-8, 85-8, 54-5 95-9 82-8		13-84 13-84 14-84		
Long term Eurodollars: two years 811-813 per cent; three years 813-813 per cent; foar years 813-813 per cent; foar sent self-813 per cent combeal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice EXCHANGE CROSS RATES												
Sept.11	£	s	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C S	B Fr.		
<u>£</u>	0.647	1.546	3.070	227.0	10.343	2.650	3.460	2201.	1.834	64.3		
5		1	1.986	146.8	6.690	1.714	2.238	1424	1.186	41.5		
DM	0.335	0.504	1	73.94	3.369	0.863	1.127	716.9	0.597	20.94		
Yen	4.405	6.811	13.52	1000.	45.56	11.67	15.24	9696	8.079	283.3		
F Fr.	0.967	1.495	2.968	219.5	10.	2.562	3.345	2128	1.773	62 17		
S Fr.	0.377	0.583	1.158	85.66	3.903	1	1.306	830.6	0.692	24.20		
H FL	0 229	0 447	0.887	65 61	2.989	0.766	1	636.1	0.530	18.59		
Ura	0.454	0.702	1.395	103.1	4.699	1.204	1.572	1000.	0.833	29.21		
C S	0.545	0.843	1.674	123.8	5.640	1 445	1.887	1200	1	35 00		
B Fr.	1.555	2.404	4.774	353.0	16.09	4 121	5.381	3423	2.852	100.		

(11.00 a.m. Sep.11) 3 months US dollars	6 months US Dollars										
FT LONDON INTERBANK FIXING											
Fr. per 100.	Sep 1.5412 1.5436 1.5396 1.5380 Der 1.5226 1.5256 1.5206 1.5192 Mar 1.5080 1.5080 1.5076 1.5020										
0 1.445 1.887 1200 1 35.06 9 4.121 5.381 3423 2.852 100	Lates: High Low Prev. Sep 1.5412 1.5436 1.5396 1.5380										
	BMN-STERLING Ss per £										
1 204 1.572 1000. 0.833 29.21	2545 15072 152/1 15094 148/5										

MONEY MARKETS

No change in rates

INTEREST RATES were barely changed in London yesterday; the three-month interbank rate was unchanged at 14-13\ per cent. Data on UK retail sales and output prices for August failed to have any real effect. Longer term rates were also steady, with the one-year inter-bank rate quoted at 1313-1313 per cent from 1313-1314 per

The Bank of England forecast a shortage of around £200m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £724m. In addition, banks brought forward

UK clearing bank base lending rate 14 par cent from May 24

balances £40m below target. These were partly offset by Exchequer transactions which added £60m and a fall in the note circulation of £500m. There was no assistance by the Bank during the morning or afternoon. Late help came to

In Paris, the Bank of France left its money market intervention rate unchanged at 8.75 per cent at yesterday's sale and repurchase agreement when adding fresh liquidity to the

banking system. The Bank accepted bids of FFr83.2bn against a maturing agreement of FFr69.9bn. Recent upward or FFT69.90n. Recent upward pressure on French interest rates has dissipated since the decision by the West German Bundesbank not to increase its lending rates for the time being. Meanwhile, the average rate of discount on French 13-week Treasury bills rose slightly to 8.62 per cent from slightly to 8.62 per cent from 8.57 per cent at the latest Treasury bill tender.

Yez per 1,000: French Fr. per 10: Lira per 1,000: Belgian

were confined to a relatively narrow range. Commercial banks are keen to hang on to short-term deposits ahead of expected corporate tax payments. Until these start to cause a drain, call money is expected to remain steady.

In New York, the US Federal Reserve refrained from inter-vening in money markets, much in line with expectations. Overnight Federal funds were quoted at 8¼ per cent, in line with the perceived Fed tar-get of 9 per cent. US Treasury bills opened in New York on a much stronger basis, encouraged by the possibility of slightly easier monetary conditions being adopted by the US authorities. Prices were also buoyed by the prospect of fresh funds becoming available for re-investment in bonds.

NEW YORK			Treasury	Bills and i	Bonds		
Lynchtime	<u>O</u> c	te month		7.66 Three year 8.19			
Dalma esta	IAL T	ro mentis		7.85 Foor: 7.96 Fhe:	rear	8.19	
Prime rate	10.01 0	r manth 1 Et aighti		/.90 FAR) 834 Same	727 1727	<u>Ş</u>	
Fed. funds	89 0	E YEAT		814 10-16	7		
Fed_funds at intervention_	Tv	ro year		8.23 30-ye	¥	8.08	
Sep.11	Greenight.	Oce Month	Two Months	Three Months	Stz Months	Lambard Interestion	
Frankfart	6.85-6.95	6.85-7.00	6.95-7.10	7.00-7.20	7.15-7.35	7.00	
Paris	9-914	9-91	97-07	74.74	92-92	B.75	
Zerich	7.25-7.35	73-73		73-73	<u>-</u>		
Tologo		7.35-7.50	- 1	7.42-7.52	-	-	
Tokyo	53.511 124.125	125.123	1	56-55 124-124	•	1 -	
Brussels	6.66			101-107		1 :	
Dobble	93-95	82.84	\$-9% 10-10L		10,1-101	l ː	
1	ONDO	N M	ONEY	RATE	S		
	ONDO	7 4					
Sep.11	Onernight	7 4	ONEY	RATE Three Months	Six Manths	Une Year	
Sep.11	Overnight	7 days notice	One Month	Three Months	Six Months	Year	
Sep.11	Overnight	7 days	One Month	Three Months	Six Months	Year	
Sep.11 interbank Offer interbank Bld Sterling CDs.	Overnight	7 days notice	One Month	Three Months	Six Months	Year	
Sep.11 Interbank Offer Interbank Bid Sterling CDs Ocal Authority Dess.	0 resnight	7 days notice	One Month	Three Months	Siz Manths		
Sep.11 Interbank Offer	0 tenight	7 days sotice	One Month 1312 1332 1332 1342	Three Months 14 1312 1333 1343	Six Months	Year	
Sep.11 interbank Offer interbank Bid Sterling CDs. Local Authority Deps. Local Authority Bonds Sterling Rose Local Authority Bonds Deps. Local Authority Bonds Local Authority Bonds Local Authority Bonds Local Authority Bonds Local Bon	0 resnight	7 days notice	One Month 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Six Months 14 1332 1313 1314	Year 1115 1115 1115 1115 1115 1115 1115 11	
Sep.11 interbank Offer interbank Bid Sterling CDs. Local Authority Deps. Local Authority Bonds Sterling Rose Local Authority Bonds Deps. Local Authority Bonds Local Authority Bonds Local Authority Bonds Local Authority Bonds Local Bon	0 resnight	7 days sotice	One Month 13% 13% 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Six Months 14 1332 1313 1314	Year 1115 1115 1115 1115 1115 1115 1115 11	
Sep.11 Interbank Offer Sterling CDs, Local Authority Deps. Local Authority Bonds Scount Mix Deps. Local Authority Bonds Scount Mix Deps. Local Authority Bonds Local Authority	0vernight	7 days sotice 13 12 13 12 13 14 13 14	One Month 13% 13% 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Siz Marths 14 1332 1352 1352 1352 1444 1311	Year	
Sep.11 Interbank Bid	0vernight	7 days sotice 1311 1313 1314	One Month 13% 13% 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Siz Marths 14 1332 1352 1352 1352 1444 1311	Year 1115 1115 1115 1115 1115 1115 1115 11	
Sep.11 Interbank Offer Sterling CDs, Local Authority Deps. Local Authority Bonds Scount Mix Deps. Local Authority Bonds Local Local Bonds	Overnight 14½ 13½ 13½ 14½	7 days notice 13 th 13 th 13 th 13 th	One Month 13% 13% 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Siz Marths 14 1332 1352 1352 1352 1444 1311	Year 13 13 13 13 13 13 13 13 13 13 13 13 13	
Sep.11 Interbank Offer Sterling CDs, Local Authority Deps. Local Authority Bonds Scount Mix Deps. Local Authority Bonds Local Local Bonds	Overnight 14½ 13½ 13½ 14½	7 days notice 13 th 13 th 13 th 13 th	One Month 1344 1344 1344 1344 1344 1344 1344 13	Three Months 14 134 134 134 134 134 134 134 134 134	Six Months 14 13:12 13:12 13:13 13:	Year 13 13 13 13 13 13 13 13 13 13 13 13 13 1	
Sep.11 Interbank Offer Interbank Blid Sterling CDs. Local Authority Deps. Local Authority Bonds Local Built Built Local Bu	Overnight 14½ 13½ 13½ 14½	7 days sotice 13% 13% 13%	One Month 1344 1344 1344 1344 1344 1344 1344 13	Three Months 14 134 134 134 134 134 134 134 134 134	Six Months 14 13:12 13:12 13:13 13:	Year 1314 1314 1314 1314 1314 1315 878	
Sep.11 Interbank Offer Interbank Blid Sterling CDs. Local Authority Deps. Local Authority Bonds Local Built Built Local Bu	Overnight 14½ 13½ 13½ 14½	7 days notice 13 th 13 th 13 th 13 th	One Month 1344 1344 1344 1344 1344 1344 1344 13	Three Months 14 134 134 134 134 134 134 134 134 134	Six Mounths 14 13:13 13:13 13:14 13:14 13:14 13:15 13	Year 1319 1319 1319 1319 1319 1319 1329 878	
Sep.11 Interbank Offer Sterling CDs, Local Authority Deps. Local Authority Bonds Scount Mix Deps. Local Authority Bonds Local Local Bonds	Overnight 14½ 13½ 13½ 14½	7 days sotice 13% 13% 13%	One Month 13% 13% 13% 13% 13%	Three Months 14 1313 1343 1344 1314	Siz Marths 14 1332 1352 1352 1352 1444 1311	Year 1314 1314 1314 1314 1314 1315 878	

FINANCIAL FUTURES

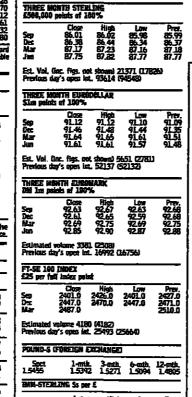
Prices fall back on rate fears

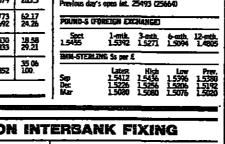
STERLING FUTURES crept up from a slightly weaker start in yesterday's Liffe market, and reached the day's highs before slipping away to finish near to the lowest level of the day. Values were marked up from a slightly softer opening on news of a slightly encouraging set of economic figures on UK retails sales and output prices. A steadier pound also added to the slightly more bullish tone. However, the firmer levels

LIFFE LANG GILT FUTURES OPTIONS 658,808 6485 of 100% Estimated volume total. Calls 1057 Puts 635 Previous day's open int. Calls 6911 Puts 6156

nt	LIFFE E/S 0911(0x)S £25,000 (costs per 51)
ss h	Strike Calli-settlements Past-settlements Price Sep Oct Sep Oct 140 11-40 —— 0.60 —— 1455 9.40 9.40 0.90 0.25 150 4.40 5.97 0.97 1.08 155 0.78 2.17 1.53 3.18 160 0.02 0.69 5.77 6.70 11.17
_	170 0.00 0.02 15.75 16.03 Estimated volume total, Calis 0 Puts 0 Previous day's open int. Calis 225 Puts 22
	LONDON (LIFFE) 28-YEAR 9% NOTIONAL ELT 550,800 32mb of 180%
_	Close Nigh Low Prev. Sep 94-23 94-23 94-13 94-15 Dec 94-24 94-25 94-09 94-15
_	Estimated volume 14781 (8529) Previous day's open lot. 29822 (29279)
_	7-10 YEAR 9% HISTONAL CILY 650,000 32mis of 100% Close High Low Pres.
76 56 07 19 19	Sep Dec Estimated volume 0 (03 Previous day's open Int. 0 (0)
2	US TREASURY 80HUS 8%, \$189,000 32nds of 180%. Close High Low Prev.
S 55 50 50 50 50 50 50 50 50 50 50 50 50	Close High Low Pres. Sep 97-19 97-26 97-19 97-09 Oec 97-16 97-22 97-16 97-09 Mar 97-12 97-05
82 36 13 92	Estimated volume 1933 (1418) Previous day's open led. 5356 (5486)
anc	6% MOTEUNAL GERMAN GOVT, BOND BAL250,800 190ths of 190% Close High Low Prev.
2	Dec 93.87 94.68 93.86 94.18 Mar 93.86 94.03 93.85 94.16 Jun
<u> </u>	Estimated volume 20955 (14181)

ī :					
	Sep Dec Mar	Clese 97-19 97-16 97-12	州市 97-25 97-22	Low 97-19 97-16	Pres 97-09 97-09 97-09
2		l volume 193 lay's open in		486)	
=	6% MOTE BM250,8	ONAL GERN 1908s d	AN GOVT. 196%	BOND	
-	Dec Mar Jun	Close 93.87 93.86	High 94,68 94,03	Low 93.86 93.85	Pres. 94.18 94.16
-		volume 209 lay's open br			
445849	6% NSTS BOND V1	OKAL LONG Jora 1000s	TERM JA: of 105%	PANESE E	VI.
	Dec Mar	Close 103.62 103.11	High 103,65	Low 103.31	Pres. 103.92 103.43
		rolume 449 lay's open in		4)	
2		CONTY STEE points of 14			
	Sep Des Mar Jun	Close 86.01 86.38 87.17 87.75	High 86.02 86.44 87.23 87.22	Ltm 85.98 86.34 87.16 87.77	Pret. 85.99 86.37 87.18 87.77
•		ilac. figs. no lay's open ka			*
-		ONTH EURO 5 of 190%	DELLAR		
		M	liticals		





offer B13 The fixing rates are the arithmetic means rounded to the nearest one-statement, of the bid and offered rates for \$10m quoted by the market to five reference laints at 11.00 a.m. each working day. The banks are Mational Westminster Bank, Bank of Tokyo, Denotede Bank, Bank and de Paris and Moreyan Guaranty Trust. MONEY RATES

LONDON MONEY RATES										
Sep.11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year				
sterbank Offer tterbank Bid terling CDs, ccal Authority Deps, ccal Authority Deps, lscount Mit Deps, ompony Deposits, reasury Bills (Buy) lank Bills (Buy) line Trade Bills (Buy) ollar CDs DR Linked Dep Offer		134	מישור איייי שמייים.	1939 . 141111148 6899 6999 6999 6999 6999 6999 6999 69	42000 - 221 - 1220 - 225 - 1220 - 225 - 1220 - 225 - 1220 - 225 -	131111111111111111111111111111111111111				
DR Linked Dep Bid CU Linked Dep Offer CU Linked Dep Bid	I - I	:	******* ******************************	83 94 94	914 914 915	854				

reasony Bills (sett); one-month 13% per cent; three months 13% per cent; Bank Bills (sett); one-month 13% per cent, three months 13% per cent; Treasony Bills; Average tender rate of discount 13.46,00 p.c. ECGD Fixed Pate Sterling Export Finance. Make up day August 31, 1999, Agreed rates for period September 26 to October 29, 1999, Scheme I: 14.76 p.c., Schemes if & Ill; 15.16 p.c. Reference rate for period any suppost 1 to August 31, 1999, Scheme IV&V: 13.880 p.e. Local Authority and Finance Houses seven days oxide, others seven days fixed. Finance Houses Base Rate 14 from September 1, 1989; Bank Deposit Rates for sums at seven days notice up cent. The period of the seven days notice and the seven days not day of the seven days not day

as a timely reminder to the market that cash rates are unlikely to fall in the near

tive interest,

JAPANESE YEN OM Y12.5m \$ ptr Y100

LIFFE BUILD FUTURES OFTEN. DICESO,888 palats of 100%

Against this background, the

December short sterling contract fell to 86.38 at the close,

down from a high of 89.44 although still just one tick

firmer than Friday's close of 86.37. Trading volume reflected

the lack of direction or specula-

1.80 1.46 1.17 0.91 0.69 0.52 0.38

Estimated volume total, Calls 1475 Pots 1480 Previous day's open let, Calls 7648 Puts 6789

Dec 1.00 0.79 0.61 0.44 0.31 0.22 0.15

quickly evaporated after com-ments by Mrs Margaret Thatcher, the Prime Minister. repeating the Government's determination to keep rates as high as is necessary to bear down on inflation. The assertion was hardly new; in fact some analysts expressed sur-prise that the market had reacted the way it did. But in the absence of anything else to draw the market's attention, Mrs Thatcher's remarks acted

Mar 1-15 1-36 1-62 2-27 2-61 3-34 4-11

istimated volume total, Calls 50 Puts 100 Previous day's open int. Calls 1503 Puts 1598 569 0.00 0.01 0.02 0.14 0.38 0.63 0.88

CHICAGO U.S. TREASONY BONDS (CBT) 8% \$100,000 32mb of 100% 97-18 97-17 97-12 97-04 96-29 96-21 97-35 97-15 97-16 97-17 98-21 98-21 98-21 98-21 98-21 98-21 92.35 92.69 92.87

High Law Prev. 0.5830 0.5809 0.5810 0.5850 0.5830 0.5830 0.5870 0.5849 0.5850 PHILADELPHIA SE 5/5 OPTIDAS 631,258 (cents per 51)

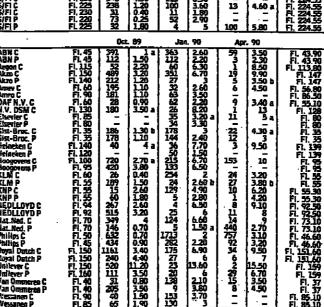
BASE LENDING RATES City Merchants Bank Ciydesdale Bank Comm. Bk. N. East ABN Bank Hat Bk. of Kom Nat Westminster Northern Bank Ltd .

Ante Baris
Adam & Company
Allied Trust Bank
Allied Irish Bank

Henry Anshacher
Associates Cap Corp
Authority Bank

B & C Merchant Bank Courn. Bk. N. East. 14
Co-operative Bank 914
Coptus & Co 14
Cyprus Popular Bk 14
Ountar Bank PLC 14
Ountar Lawrie 14
Equatorial Bank pk 14
Financial & Gen. Bank 15
First National Bank Pk. 15
Robert Fracer & Ptans 14
Eglobank 15
Robert Fracer & Ptans 141
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McCleasell Douglas Brik Members of British Mercha • measures or British mercam Santing & Securities Houses Association. • Deposit now 5.9% Savenice 8.5%. Top The-£10,000 + instant access 12.8% & Mortgage have rate. § Demand deposit 9%. Mortgage 13.25% - 15%

EUROPEAN OPTIONS EXCHANGE										
		No	. 89	Feb. 90		May 90		···		
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TOTAL VOLUME IN CONTRACTS: 49,048
sk B-Bid C-Call P-Pot

COMPANY NOTICES

HARMONY **GOLD MINING** COMPANY LIMITED RAND MINES (Incorporated in the Republic of South Africa)

RAND MINES Company Registration No. 05/38222006

Passing of Dividend

The Board of Directors has decided not to declare an interim dividend for the year ending 30th June 1990.

Registered office 15th Floor The Corner House 63 Fox Street johannesburg 2001 (PO Box 62370. 10W2 2107)

in the United Kingdo Viaduct Corporate Services Limited 40 Holiogra Viaduct

11 September 1989

APPOINTMENTS

MANAGER FINANCIAL FUTURES

A leading Kuwaiti investment company is seeking a Manager for its newly established financial services unit which will provide full brokerage and portfolio management services for retail customers both the cash and commodities markets on a global basis out of its headquarters in Kuwait.

The candidate is expected to be a Senior Account Executive with a minimum of 5 years experience in the retail brokerage of securities and commodities and an excellent knowledge of the operational side of the

An attractive compensation package will be offered based on qualification and experience.

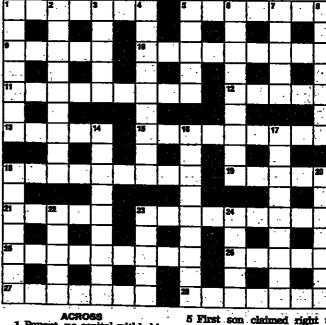
To apply, please send a detailed C.V. and salary history to:

> The Personnel Manager P.O. Box 2544 Safat, 13026 Safat, Kuwait

> > **JOTTER PAD**

CROSSWORD

No.7,036 Set by FETTLER



ACROSS
1 Payout, no capital withheld, is shared (7)
5 Grapple with one swindle in another (7)
9 This element was created;

there's nothing in it (5)
10 Producing a snare set in Pinner? To the contrary! (9)
11 See assistant questioning a gruff answer (9)
12 Here are a couple of novices

in Austria (5)
13 Meaning to rest on one's cars (5)
Segregation? An odd idea about a questionable path, right? (9)

Astronomers' measure in

16 Astronomers' measure in flighty earth-light (5-4)
19 Imagine having a tipple about early evening (5)
21 Batting with help backing a test side (5)
23 One woolly-coated; the same, we hear, with or without reserve (9)
25 Publication about football ahows knowledge (9)
26 One feature of the River Oder is to wear away (5)
27 Scratch at an ass, rudely (7)
28 Journal swapping articles is causing confusion (7)

DOWN

1 Lowly scholars is action (?)
2 Checking's needed when, in contending, passion rises (9)
3 Caffeine? A German's going to find it here (5)
4 Name, an English digest adopted (9)

5 First son claimed right to get a dog (5)
6 Lass had nothing, thanks to lad being marked (9)
7 Quiet river's river that's cleaner (5)
8 Learner driver, caught out, is somewhat narked (7)
14 Bird has a share in a chemical process (9)
16 Accused arrived, having gained, slightly awry (9)
17 See conductor choose "Rodeo" not "The Ring" (9)
18 Lingers in languid Estoril (7)

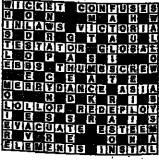
20 Such as St Michael's - one

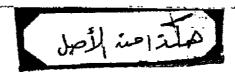
20 Such as St Michael's - one returning from money-grubbing (7)

22 A good defence, having no regard for apprehension (5)

23 Waterfalls, harnessed, ought to be a source of generation (5)

24 Bulld straight up (5) Solution to Puzzle No.7,035





| 1400 Cus Tel | 1512 | 153 | 1512 | 152 | 152 | 153 | 1512 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 1513 | 151

LOW

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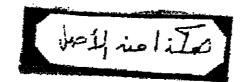
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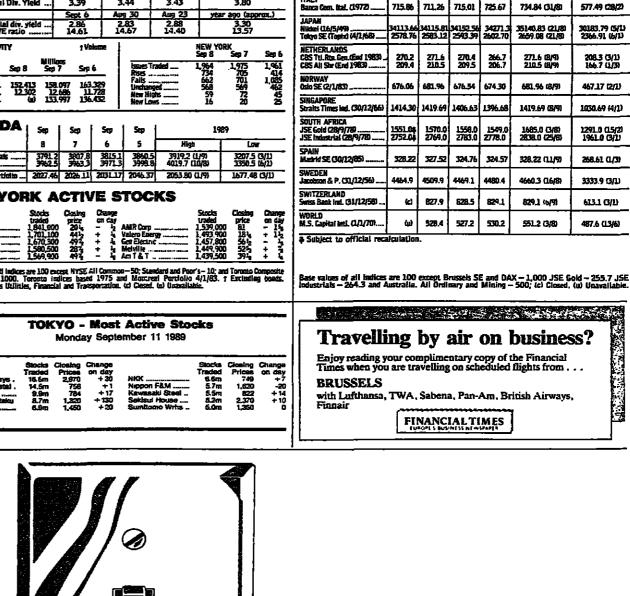
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	Dal Tokyo F&M 1500 -30 Lion	6 +1 Nemura 3,100 +20 130 -140 Roritake 1,500 -10 60 +01 Odalyu Elec Riy 1,500 -10 00 +20 Odalyu Elec Riy 1,500 -10 00 +20 Odalyu Elec Riy 1,500 +40 00 +20 Odalyu Elec Riy 1,500 +40 1,500 +20 Odalyu Elec Riy 1,500 +40	Entro	Shokusan Jutaku 8.7m 1,220 +130 Sektsul House 8.2m 2,370 +1 Tokyu Land 6.9m 1,450 +20 Sumbono Writs 6.0m 1,350	Finnair FINANCIAL TIMES FUNDOUS BOUNDS OF A SHAPE
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36.396.0	Mars 1,000	0 -20 Sumitore Met Mag _ 1.360 +10 0 -10 Somitore Resity _ 2.000 0 -300 Sumitore 17 & 8k _ 2.420 -10 0 -30 Sumitore Wise _ 1.550 -10 Sumitore Wise _ 1.550 -1	FAI insurances 3.20 -0.02 Case Prop Trust 2.60 -0.03 Case Res	the switch – order your personal subscripti	on today. Canada call 1-800-543-1007.
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FINANCIAL TIMES

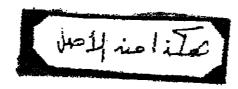
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COMPOSITE **PRICES**

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OVER-THE-COUNTER

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FINANCIAL TIMES

AMERICA

Dow dips as traders await rash of statistics Frankfurt and Amsterdam

Wall Street

AFTER its consolidation on Friday, the equity market turned lower yesterday with selling exaggerated by stock index arbitrage in an otherwise dull morning session, writes Janet Bush in New York.

At 2 pm the Dow Jones Industrial Average was quoted 22.80 points lower at 2,686.74 on sluggish volume of 89m shares. The market remains cautious after last week's string of losses on Tuesday. Wednesday and Thursday. Friday's gain of 2.66 points was a reassuring performance, suggesting that

there is still a good underlying tone to the market, but investors and traders are likely to take a defensive position ahead of a clutch of economic data due for release on Thursday

Programme trading normally picks up quite significantly in

weeks with a triple witching hour when stock index futures and options expire simulta-

neously on a Friday.

Retail sales for August are due on Thursday, and are expected to have risen by around I per cent, boosted by strong car saies. On Friday, the July merchandise trade balance is due with forecasts of a deficit of around \$8bn. August industrial production is expec-ted to show a small gain and capacity usage is forecast to be unchanged at 83.6 per cent.

The August producer prices index, also on Friday, is expected to have fallen by perhaps 0.2 per cent following the 0.4

per cent decline in July. Also released on Friday are business inventories for July.

Taken together, these economic releases should confirm that the economy continues to decelerate mildly and that

inflation pressures are relatively subdued. There is little

expectation that the figures will prompt any change of monetary policy which is clearly on hold.

There is no clear consensu on what the next move in interest rates will be with two almost equal camps arguing

the complete opposite.

One believes that the economy is slowing quite significantly and that the US Federal Reserve will ease interest rates again while the other believes that the economy is experienc-ing a "soft takeoff" with a slight re-acceleration which should prompt a slight tightening in monetary policy.

UAL fell \$2% to \$277%. The decline came after news that

Mr Marvin Davis, the Calif-ornia investor who has bid \$275 a share for United Airlines, has agreed conditionally not to make any hostile moves for one year in exchange for access to the company's confi-dential financial data.

AMR, the parent company of American Airlines, rose \$1% to \$82% on a US press report that Mr Donald Trump, the New York real estate developer, had acquired a stake in AMR and may seek federal clearance to buy more stock.

BellSouth added \$\% to \$51 on news that it is merging its cellular telephone operations with LIN Broadcasting. LIN, which jumped \$2% to \$108% in over-the-counter trading, will spin off its television stations and pay a \$20 a share special

and pay a \$20 a snare special dividend to shareholders.
Universal Foods dropped \$% to \$33% after High Voltage Engineering ended its offer worth \$38 a share and a proposal for a sweetened bid worth \$42 a share, citing problems. lems with Wisconsin statutes. Dunkin' Donuts jumped \$4 to \$45 on the over-the-counter market. The company rejected a \$45 a share offer from a group of investors and said it

would explore possible alterna-tives including takeover by a third party.

SELLING pressure pushed

was 15.2m shares Campeau fell C\$1 1/4 to C\$17 1/4 as investors continued to react

island produced lower prices

than expected and reversed the market's initial trend. Volume

remained high at HK\$1.05bn, down slightly from Friday's

Banks rose against the trend, with Hongkong Bank up 30 cents at HK\$6.30 on persis-

tent rumours that it may be on

its way to a merger with Mid-land Bank of the UK.

ket which had risen by more than four per cent last week, also ran into profit-taking and

the Straits Times industrial

index lost 5.39 to 1,414.30. Turn-over fell, too, reaching 89m shares from Friday's very

TAIWAN dropped on news over the weekend that the

authorities would gradually expand the daily price fluctua-tion limit for individual stocks

in order to crack down on mar-

ket manipulation. The weighted index fell 273.77 to

stocks

marginally lower in Johannes-

burg in very quiet trading. Platinums and industrials also

10,211.23 in active trading.

SOUTH AFRICA

showed an easier tone.

active 121m.

SINGAPORE, another mar-

Canada

Toronto stocks down further by mid-session with metal stocks leading the retreat fol-lowing a jump in inventories of metal reported in London. The composite index feli 27.1 to 3,935.4, with declines leading advances 324 to 162. Volume

as investors continued to react to the company's forced sale plans for its department store chain Bloomingdale's, required to help pay its \$9.5hn of debt.

Connaught BioSciences rose C\$4% to \$30% on news that Cha-Geigy, the Swiss pharmaceuticals group, and Chiron, the US biotech group, had made a joint hid for the company.

they argued, was why Deut-sche Bank fell DM10.50 to

of buyers, not a lot of sellers, and the suspicion that traders were selling positions in case Wall Street continued to decline, and the fraternity could get back in, lower down. Daimler closed DM12.50 lower at DM827.50. Out of the front line, motor industry shares still showed some excitment over this week's Frank-

higher at DMS37.
AMSTERDAM came off quite sharply after last week's 3 per

Another weak start on Wall Street also undermined the

hours in the morning, further dampening the mood, because of a telephone fault affecting

take a fall on the see-saw

LAST WEEK'S winners showed the biggest declines yesterday for reasons which appeared to be technical as well as fundamental, *writes*

Our Markets Staff.
FRANKFURT fell, the DAX index losing nearly as much as it gained last Friday, with a drop of 15.68 to 1,641.93. Volume eased from DM6.2bn to DM4.9bn. The FAZ index fell 4.84 to 681.08.

Some commentators blamed the strong dollar and interest rate prospects once more, saying that banking shares themselves were lower yesterday; they also picked on the appar-ent disappointment with Daimler's first half profits, and the knock-on effect on other blue

chip stocks.
Others took a more prag matic view, essentially that traders wanted the market to be lower and that blue chips were the easiest to sell. That,

As for Daimler's knock-on effect, they said, Daimler had not been expected to produce good results. What did charac-terise the day was a great lack furt international motor show, with BMW up DM6.80 to DM639.80 and Porsche DM10

cent gain and turnover dropped as investors took a breather. "Things were a hit overdone last week," commented one salesman.

market, and the CBS tendency index closed 1.1 lower at 195.7 in volume worth FI 626m, well down on last week's levels. Trading was halted for two

jobbers at the exchange. Hoogovens, the steel stock, suffered from press reports on THE Madrid bourse hit an all-time high yesterday, fuelled by a two-week rally in electrical utility stocks, before profit-taking trimmed some gains, writes Elena Flor.

trimmed some gains, writes Elena Flor.

The general index breached the previous peak of 328.36 reached on October 6, 1987, to hit 328.43 before easing slightly to end at 328.22, up 0.7. The electrical utilities, which have a weighting of 13.61 per cent in the index, remained mostly firm.

Even if profit-taking undermined some gains yesterday, especially in industrials, analysts consider the market to be well-supported with a big rise in volume to 5148m on Friday.

Mr Pedro Taberna of brokers Beta Capital said Madrid was cheaper that other European markets — it has risen only 16.5 per cent this year compared with a rise of 28 per cent in the FT-Actuaries Europe index.

Interim corporate results have been higher than expected with rises of 21 per cent on average. The Spanish Big Bang reforms and the announcement of early general elections have been well received by both foreign and domestic investors. The Socialists are expected to retain their parliamentary majority and to introduce a tighter fiscal policy which, in the medium term, is interpreted by analysts as heralding a fall in interest rates.

a flat outlook for the steel market this year, and it fell F13.60 to F195 in active turnover. Philips, which enjoyed a powerful rally last week on buy recommendations and foreign interest, came off 90 cents to

PARIS weakened slightly as investors found themselves lacking direction now that the Suez takeover bid for Groupe Victoire has been won. "The market's in need of another significant piece of news to start fuelling interest again." commented an analyst, who added that foreigners were well-disposed towards France but were mostly already as amply invested as they wanted

Volume, which was pushed to a huge FFr4.3bn on Friday by heavy turnover in Victoire and Suez, was lower yesterday - estimated at FFr2.5bn to

FFr3bn. Peugeot fell FFr30 to FFr929 amid concern over the prolonged strike at its Mulhouse plant and nascent unrest at Sochaux, where the new 605 model is produced.

Total ordinary shares rose FFr5 to FFr520 and the certifi-cates jumped FFr4.50 to FFr103.50 amid expectations that Mr Serge Tchuruk, president of Orkem, the state-owned chemicals group, would take over as head of Total next

The OMF 50 index shed 2.66 to 530.47, while the CAC General index, based on opening

prices, reached a new high of 540.9, up 0.4 from Friday. MILAN pushed higher, reversing three consecutive declines. Trading was said to be thin, with investors absent from the market before monthly trading account dead-

lines today and on Thursday.
The Comit index rose 4.60 to
715.86. Banking stocks, which
revived last Friday, staged another comeback from the Banca Nazionale del Lavoro scandal. The Milan industrial finance bank, Mediobanca, led the way, with a L165 rise to L27,995, Banca Commerciale Italiana adding L65 to L5,295 and Credito Italiano L126 to L2,876.
The initial offering of 850m.

shares of Enimont, the chemical company, closed early and oversubscribed; the L1,420 offer price is regarded as reasonable

and a premium is expected.

VIENNA reached another record in active trading, with the bourse index rising 1.28 to 465.86 and the session extended by 30 minutes. There was selec-tive profit-taking, but Montana, the holding company, rose Sch400 to Sch68,400. Steyr-Daimler Puch, the vehicles maufacturer, eased Sch3 to Sch155 amid persistent rumours of talks with MAN of West Germany. BRUSSELS was dull apart

from strong demand for Société Générale de Belgique, which gained BFr45 to BFr3,665 on 52,200 shares traded following recent recommendations.

Yen and bond weakness draw Nikkei down

FURTHER yen weakness and lower bond prices produced a mood of caution that led the Nikkei average down for the fifth consecutive session, writes Michiyo Nakamoto in

Tokyo.
While there was little news to provide investors with buying incentives, the yen's continued fall provided enough reason to remain bearish on the market's prospects. During the day the yen dropped to a three-month low.

The Nikkei average began modestly higher but soon went slowly downhill to reach a day's low of 33,955.14. Arbitrage between the futures and cash markets supported the Nikkei just before the close and the index finished down 2.15 at 34.113.66. The day's high

was at 34,165.17. Falls outnumbered advances by 529 to 393 with 196 issues unchanged. Turnover was a paltry 420m shares against 791m on Friday. The Topix index of all listed shares declined 4.36 to 2,578.76, while in London the ISE/Nikkei 50 index fell 2.41 to 2,001.1.

The weaker yen, which could aggravate inflationary pres-sures in Japan, and the Bank of Japan's policy of stemming inflation by keeping short-term interest rates relatively high,

meant that investors were particularly wary of large capital issues that tend to be affected by higher interest rates. However, there has been a surge of interest in cheaper, smaller capitalised issues, particularly those with good earnings, so some analysts have been saying that the Nikkei average is

not necessarily representative of the present market. The political situation is by no means favourable either. The extraordinary parliamentary session to be convened in early October promises to be a trying experience for the rul-ing Liberal Democratic Party, which faces an opposition majority in the upper house for the first time in 30 years. A poll conducted by a leading economic daily has indicated that support for the LDP has dropped substantially among those who consider themselves

to be middle class. Electricals and other hightech issues suffered as investors moved away from highpriced issues. Sony, which had recently benefited from moves to buy issues with good earnings, lost Y230 to Y8,220. Against the trend to avoid large capital issues, steels saw

a modest recovery as investors

felt they had been oversold.

Sumitomo Metal, second most active with 14.5m shares

traded, rose Y1 to Y756, while Nippon Steel, next with 9.9m

shares, advanced Y17 to Y784. Housing issues were popular, with interest focusing on low-er-priced stocks. Housing was seen as a sector little affected by interest rate and currency fluctuations. Investors also expect it to benefit from government policy, as opposition parties have agreed to take it up as an issue and as the US has been applying pressure on

Japan to take steps towards solving the problem of sky-high land prices. Shokusan Jutaku Sogo, the largest builder of luxury wooden houses, surged on the strength of its low price and a projected 63 per cent increase in profits for the year to March 1990. Shokusan closed up Y130 at Y1,320 in active trading.

Keisei Railways, the most actively traded stock with 16.6m shares, gained Y30 to Y2,970. Keisei has attracted interest on speculation that an affiliate might be listed.

Profit-taking led the OSE average in Osaka 168.56 points lower to close at 34.434.23. Volume sank to almost half of Friday's 99.5m shares, at 49.5m. Toyo Sash, a maker of housing materials, lost Y410 to Y7,150.

Roundup

Austria

THE difficulties at Bond Corp dominated proceedings in Aus-tralia and New Zealand, while other markets which had

shown strong gains last week ended lower.
AUSTRALIA ended little

changed amid nervousness over the impact of Bond Corp's troubles on the wider market. The All Ordinaries index shed 1.7 to 1.756.5 in moderate turnover of 137m shares worth A\$262m, with trading concentrated in larger stocks.

of 27 cents amid concern over its future, but recovered slightly to close 10 cents weaker at 30 cents.

Bond Corp dropped to a low

Adsteam gained 12 cents to A\$8.66 on expectations of strong results this week. Wesfarmers, the agricultural and chemical group, lost 30 cents to A\$4.80 after last week's announcement of a rights

NEW ZEALAND climbed sharply amid news that Lion Nathan had held talks with Bond Corp and could be going to purchase all or part of the group's Australian brewing interests. The Barclays index rose 50.13 to 2,428.58 and Lion Nathan 20 cents to NZ\$4.50

HONG KONG was disappointed by the latest government land auction and fell back after a 4.5 per cent rise last week. The Hang Seng index ended 6.03 weaker at 2,614.60 after earlier rising almost 30 points.

The auction of a site in Kowloon Bay opposite Hong Kong

is pleased to announce the opening of its

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Banca Popolare di Milano

Europe and Pacific provide stars

By William Cochrane

EAKNESS on Wall Street and in Tokyo took the World Index into decline for the second week running last week. However, there was consolation in Europe, and a strong showing in some of the Asia Pacific

In Europe, good economic news gave West Germany a lift; and Amsterdam recorded a string of rises as investors anticipated, then celebrated the victory of the prime minister, Mr Ruud Lubbers, in last Wednesday's general election. Italy, sporting the week's

heaviest decline of 3.2 per cent, had an international scandal centred on the Banca Nazionale del Lavoro; it was also due for a correction, said observers. after the sustained enthusiasm

of July and August.
Regional themes also appeared. Most of the Nordic markets declined; but in the

had shown such strength that they were increasingly exposed to technical corrections. Norhigh interest rates were com-ing down; but Sweden subsided

after a half-yearly results sea-son with good and bad surprises, and Denmark is consid-

seen as strong claimants to the investment and talent which is leaving Hong Kong under threat of hard-line Chinese

way kept rising – before eas-ing during yesterday's general election – in the belief that its

Asia Pacific region, Hong Kong, Singapore and Malaysia all have their currencies linked to the US dollar, which is enhancing share price performance in sterling terms.

The Scandinavian trio, Norway, Sweden and Denmark,

ering the prospect of big equity issues, including that for the savings bank, SDS. Singapore and Malaysia are

Communist occupation.
Hong Kong itself has had a sad year, in local currency

MARKETS IN PERSPECTIVE

Belgium	+ 1.35	+2.21	+22.68	+9.76	+ 15.70
Denmark	-1.08	+0.18	+66.31	+26.03	+31.47
Finland	-1.38	-1.36	+ 15.08	+7.48	+ 17.19
France	+ 1.88	+4,41	+51.59	+ 25.59	+33.45
West Germany	+2.76	+4.95	+38.24	÷ 25.18	÷31.03
Ireland	+0.30	-3.02	+23.88	+29.17	+ 35.31
Italy	-3.22	+0.71	+ 33.88	+ 17.22	+ 26.03
Netherlands	+2.91	+ 2.83	+ 33.87	+ 26.64	+32.86
Norway	+213	+8.88	+79.31	+47.38	+57.03
Spain	+0.30	+4.18	+14.35	+16.54	+25.06
Sweden	-0.84	-0.98	+63.20	+36.01	+46.02
Switzerland	+ 0.30	+ 1.04	+31.82	+30.72	+34.30
UK ,	+0.70	+3.78	+37.50	+ 32.94	+32.94
EUROPE	+0.93	+3.45	+37.59	+27.92	÷ 31.72
Australia	+ 0.47	+1,97	+ 14.75	+ 19.17	+25.11
Hong Kong	+5.26	-0.26	+8.38	-1.15	÷ 15.48
Japan	-1.08	-2.84	+21.28	+7.61	+7.44
Malaysia	+6.63	+4.33	+ 46.84	+38.77	+62.65
New Zealand	-0.85	+9.50	+ 25.31	+35.28	+48.65
Singapore	+3.29	+0.71	+35.11	+38.32	+58.61
Canada	-1.34	-0.76	+22.86	+ 18.39	+39.00
USA	-1.36	+ 1.56	+30.03	+25.36	+46.45
Mexico	+7.63	+16.20	+ 132.40	+ 114.37	+122.91
South Africa	-0.41	-0.25	+56.01	+39.19	+ 56.06

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 8 1989						THURSDAY SEPTEMBER 7 1989 DOLLAR INDEX					
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency index	1989 High	1989 Low	(Subsect) Sala Asal
Australia (85),	154.74	+ 1.1	148.15	134.16	+0.3	4.71	153.12	146.84	133.77	157.14	128.28	141.65
Austria (19)	149.95	+ 0.1	143.57	154.38	-0.1	1.57	149.81	143.67	154.57	150.67	92.84	87.68
Beiglum (63)	133.79	+ 0.4	128.10	138.59	-0.1	4.05	133.29	127.82	136.74	137.97	125.58	115.03
Canada (123)	149.38	-0.5	143.02	128.45	-0.2	3.14	150.07	143.91	128.66	153.59	124.67	116.48
Denmark (36)	191.75	+0.8	183.59	200.36	+0.5	1.57	190.23	182.42	199.41	219.89	165.35	125.50
Finland (26)	131.28	+ 1.3	125.70	122.88	÷0.9	2.23	129.57	124.26	121.80	159.16	125.81	
France (126)	131.21	+0.2	125.62	137.28	+0.0	2.75	130.92	125.55				116.14
West Germany (98)	98.65	+ 1.1	94.45	101.55	+0.9	2.01	97.56		137.29	133.44	112.57	91.75
Hong Kong (48)	110.51	+ 1.8	105.81	110.78	+ 1.8			93.56	100.68	100.53	79.56	76.38
ireland (17)	152.63	+ 1.1	145.13	159.42	+0.6	5.01	108.55	104,10	108.83	140.33	86.41	101.86
Relatio (17)			87.93	97.33	-0.5	2.78	150.97	144.78	158.45	166.69	125.00	132.39
Italy (97)	91.84	-0.3	168.63	162.82		2.31	92.08	88.31	97.86	96.73	74.97	70.34
Japan (455)	176.12	+0.0			-0.5	0.49	178.19	168.97	163.61	200.11	164.22	158.96
Malaysia (35)	199.79	+ 2.5	191.29	207.76	+2.4	2.34	194.91	186.92	202.91	199.79	143.35	138.87
Mexico (13)	308.79	+ 1.3	295.65	867.68	+ 1.5	0.58	304.87	292.36	854.48	308.79	153.32	149.38
Netherland (43)	127.83	+ 0.8	122.39	130.11	+ 0.5	4.01	126.84	121.64	129.48	130.67	110.63	102.06
New Zealand (20)	86.01	+ 2.3	82.35	77.08	+ 1.7	4.53	84.07	80.62	75.80	88.18	62.64	72.45
Norway (24)	186.74	+ 1.2	178.79	182_43	+0.9	1.42	184,48	176.91	180.85	198.39	139.92	108.83
Singapore (26)	169.84	+0.2	162.62	155.01	+0.2	1.80	169.52	162.57	154.68	170.62	124.57	122.32
South Africa (60)	156.08	- 1.0	149.44	136.74	-0.2	4.12	157.59	151.13	136.97	157.59	115.35	109.27
Spain (43)	158.85	+0.4	152.09	148.44	-0.1	3.46	158.17	151.68	148.52	180.94	143.14	138.63
Sweden (35)	180.74	+ 1.3	173.05	178.34	+ 1.0	1.93	178.47	171.15	176,62	188.94	138,45	
Switzerland (64)	89.76	+ 0.0	85,94	95.07	-0.2	1.98	89.72					115.20
					+ 0.3			86.04	95.25	94.16	67.81	74.48
United Kingdom (307)	153.99	+0.5	147.43	147.43		3.99	153.25	146.96	145.96	158.41	133.28	122.73
USA (549)	141.88	+0.1	135.85	141.88	+0.1	3.28	141.77	_ 135.95	141.77	143.84	112.13	109.11
Europe (968)	129.33	+ 0.5	123.82	128.60	+0.3	3.21	128.68	123.40	128.26	132.62	112.63	100.99
Nordic (121)	165.73	+1.1	158.68	160.50	+0.8	1.77	163.92	157.19	159.26	178.38	137.95	109.00
Pacific Basin (670)	172.95	+0.0	165.59	159.83	-0.4	0.73	172.88	165.79	160.47	194.72	160.44	155.99
Euro - Pacific (1668)	155.65	+0.2	149.02	147.18	-0.2	1.57	155.34	148.97	147.44	166.98		
North America (672)	142.23	+0.0	136.18	141.04	+ 0.1	3.27	142.16				141.56	134.00
Europe Ex. UK (691)	113.66	+0.5	108.83	116.97	+0.2	2.62	113.07	136.33	140.95	144.24	112.79	109.49
								108.43	115.70	116.28	96.30	87.37
Pacific Ex. Japan (215)	134.66	+1.3	128.93	122.02	+0.9	4.47	132,90	127.45	120.98	137.65	111.93	120.18
	155.53	+0.2	148.91	146.70	-0.2	1.65	155.27	148.90	148.95	166.35	141.49	133.16
	149.18	+0.1	142.83	144.80	-0.1	2.01	149.03	142.91	144.98	155.66	136.98	123.91
World Ex. So. Af. (2353)	149.56	+ 0.1	143.19	145.07	-0.1	2.18	149.34	143.21	145.19	155.92	136.67	123.88
				400 10	+0.2	3.31	192 64					
World Ex. Japan (1958)	137.39	+0.3	131.54	136.19	⊤ 0.2	J.J I	137.04	131.42	135.96	138.29	114.51	106.94

Copyright. The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987 Latest prices were unavailable for this edition. Spanish prices were not fully updated on September 8 due to problems at source Constituent changes 11/9/89: Deletion: Plessey (UK). The market capitalisation of Rolls-Royce (UK) has been increal limit on loreign held ordinary share capital, from 15 to 29.5 per cent.